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THE ROLE OF SOCIAL ACTIVITY IN ECONOMIC DEVELOPMENT: EVIDENCE THROUGH SOCIAL CAPITAL AND COLLECTIVE ACTION CHANNELS

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Abstract

This article examines the relationship between social activity and economic development through the analytical lens of social capital theory. It argues that increased social participation strengthens trust-based networks, improves institutional efficiency, and enhances innovation dynamics, thereby accelerating long-term economic growth. Drawing on empirical evidence from transitional and developing economies, the study synthesizes macro- and meso-level mechanisms linking social activity to productivity, labor market performance, and governance quality. Selected comparative statistics from Uzbekistan are used to contextualize the discussion and illustrate how community-based participation can complement economic reforms. The findings suggest that social activity should be considered a productive asset alongside physical and human capital in development policy.

Keywords

social capital, economic development, social activity, trust, innovation, Uzbekistan

Economic development has traditionally been explained through the accumulation of physical capital, technological progress, and human capital formation. However, persistent disparities in growth outcomes among countries with similar resource endowments have encouraged scholars to explore less tangible determinants of development. Social activity, understood as participation in civic, community, and associative life, has emerged as a critical yet underappreciated factor. Through repeated interaction, social activity generates social capital, a set of norms, networks, and trust that shape economic behavior and institutional performance.

In transitional economies, where formal institutions are often incomplete or evolving, social capital can play a compensatory role by reducing uncertainty and facilitating coordination. Uzbekistan represents a relevant case, as it combines rapid economic reforms with historically strong community structures. Understanding how social activity contributes to economic outcomes in such contexts is therefore of both theoretical and policy relevance.

Social capital operates through multiple channels. Trust reduces transaction costs by lowering the need for extensive monitoring and enforcement. Dense social networks facilitate information flows, improving matching in labor markets and accelerating the diffusion of innovations. Civic engagement enhances collective action, enabling communities to demand better public goods and accountability from authorities.

From a growth-theoretic perspective, social capital complements human capital by increasing the returns to education and skills. Knowledge acquired by individuals becomes more productive when embedded in networks that allow sharing and recombination. At the macro level, societies with higher social capital tend to exhibit stronger institutions, which in turn support investment and entrepreneurship.

Cross-country and subnational studies consistently report positive associations between social capital indicators and economic performance. Trust-based societies show higher investment rates and more resilient small and medium-sized enterprises. Regions with active civic organizations demonstrate faster employment growth and greater adaptability to economic shocks.

In transitional economies, social capital has been shown to mitigate the risks associated with market liberalization. Informal networks often substitute for weak formal credit and insurance markets, enabling households and firms to smooth consumption and investment. While

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excessive reliance on closed networks can generate exclusion, bridging forms of social capital that connect diverse groups are generally associated with higher productivity and innovation.

Uzbekistan has experienced sustained economic growth over the past decade, with average annual GDP growth exceeding 5 percent prior to the pandemic and recovering rapidly afterward. At the same time, community-level participation remains high due to the institutionalized role of local neighborhood organizations.

Table 1 presents selected indicators illustrating the potential interaction between social participation and economic outcomes.

Table 1. Selected Socio-Economic Indicators of Uzbekistan

Indicator	Value	Year
Population (million)	36.0	2023
GDP growth rate (%)	5.7	2022
Employment in SMEs (%)	74	2021
Share of population involved in community organizations (%)	~60	2020

High participation in community structures has been associated with effective local problem-solving, particularly in employment support and micro-entrepreneurship. While causality is complex, these patterns are consistent with international evidence linking social activity to inclusive growth.

Innovation rarely occurs in isolation. It is embedded in social systems that enable experimentation and learning. Frequent interaction among firms, workers, and institutions accelerates the diffusion of new technologies. In economies undergoing structural transformation, such as Uzbekistan, social networks can facilitate labor reallocation from low-productivity sectors to higher-value activities by transmitting information about opportunities and skills requirements.

Recognizing social activity as an economic resource has important policy implications. Development strategies should not focus exclusively on physical infrastructure and formal institutions but also support spaces and incentives for civic engagement. Investments in community centers, participatory governance mechanisms, and inclusive civil society organizations can yield economic returns by strengthening cooperation and resilience.

This article has argued that social activity is a significant driver of economic development through its contribution to social capital formation. Evidence from transitional economies, including Uzbekistan, suggests that trust-based networks and civic participation enhance efficiency, innovation, and institutional quality. Incorporating social capital considerations into economic policy can therefore contribute to more sustainable and inclusive growth trajectories.

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