# *The Role of Political Institutions in the Economic Development of Different Countries: A Comparative Study Between the United Kingdom and China*

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***Abstract:*** Institutions hold a vital position in society as they significantly mold human behavior as well as determine the social outcomes of a nation. In the modern world, institutions can take on formal or informal kinds. Notably, the formal ones are governed by several norms and legislation. Such formal institutions often lead to significant outcomes within the development process of a country. This particular research places a concentrated focus on the role of different types of institutions in the process of development, highlighting the impacts that a wide array of institutions have on social and economic outcomes. The study takes into account a democratic institution along with a centrally controlled institution. Through the analysis, it could be found that the centrally controlled institutions that are portrayed by China have a greater level of efficiency, which leads to more optimal allocation of resources and swifter growth, thereby contributing significantly to the overall progress and prosperity of the nation.

***Keywords:*** Political economy, institutionalism, authoritarianism, democratic development.

## 1. Introduction

Institutionalism is often deemed an approach that puts emphasis on the role of institutions, which are responsible for the shaping of economic and social outcomes. As Ansell puts forward, institutions are shaped by historical events where path dependency leads to the shaping of social and economic outcomes. Institutions learn from previous prospects and evolve accordingly with time [1]. This leads to institutions often being bound by certain norms and regulations that determine a fixed outcome for the economy and society. As a result, this shows that institutions often provide a framework that determines the occurrence of economic activities leading to the growth and development of a nation. Historically, institutions have been a critical part of economic development over the years. According to a study by Zergawu, it has been realized that there is a positive correlation between institutional quality and economic performance [2]. This is because the presence of a stable institution creates political stability and high governance. This leads to better property rights in the country and also reduces the cost of services in the country. As a result, transaction costs are much lower, and better property opportunities maximize investment and provide a higher return on investment. Thereby, the presence of strong institutions tends to lead to high levels of economic growth and development, even at the national level. In an economic and political context, institutions can be segregated into several forms. Two of the most integral forms of institutions are formal and informal institutions [3]. Formal institutions are those that are constituted by laws and follow a regulated code of conduct. On the other hand, informal institutions are those that are not regulated and are mostly governed by human behavior. As a result, the formal and informal forms of institutions would have a varied impact on economic development in a particular country. This particular research would emphasize the formal form of institutions, as the study would analyze the impact that different kinds of formal institutions have on the development patterns across countries.

In a practical scenario, the formal form of institutions is often governed by certain norms and regulations. However, such formal types of institutions also vary across various countries. It has been determined that factors such as politics and governance form a significant part of institutions, which also vary across countries. As a result, the primary research question of the study is to analyze the impact that such different kinds of political and governance-based institutions have on the development process of a country. Based on the research questions, the study aims to analyze the role of political institutions and governance on economic development, providing a comparative analysis between two countries to show how different forms of institutions with respect to politics and governance impact development. Furthermore, it evaluates the influence of institutional quality on the socioeconomic outcomes of a particular nation. Additionally, this study seeks to understand the impact that institutions have on the present societal and economic outcomes of nations with different forms of institutions. This particular study helps to understand the impact that different forms of institutions can have on the development process of a nation. A particular institution shows a unique level of efficiency and allocation of resources, and having a deep understanding of various institutions and their impact on the development process would be critical for understanding the economy as well as formulating policies. As a result, this particular study on institutional forms and development is significantly important.

## 2. Literature Review

In economics, institutions are often referred to as norms that shape economic behavior and interactions. This leads to unique societal as well as economic outcomes for a particular state. Furthermore, in order to describe the theoretical framework, institutions could be divided into economic institutions, political institutions, and social institutions.

Economic institutions are the arrangements of the structures of the economy that lead to the economic operations of a nation. As per Baland, these institutions are a combination of formal and informal systems that regulate economic activities and institutions [4]. These economic institutions have a wide array of organizations under them, mainly markets as well as regulatory agencies. These institutions ensure that the transaction costs for economic transactions in a state are optimal and lead to greater efficiency. As a result, this reduces uncertainty in the economy and leads to economic growth and development. Political institutions are the structures that process and govern the ways power is exercised in a society. As per Wlezien and Soroka, political institutions are often considered mediators between public opinion and public policy [5]. This is because political institutions comprise the government structures as well as the electoral systems that determine how power is exercised and the entity that exercises the power. Furthermore, government bodies comprise judicial systems that consider the opinions of the public and incorporate them into policy for the betterment of society and the economy. This shows that political institutions are also major institutions that help in the development process of a state. These institutions are norms and practices that shape the social behavior and relationships of individuals in a society. In terms of economic development, social institutions could comprise several systems like education and healthcare [6]. This is because such systems as healthcare and education directly impact the societal well-being of the nation and also indicate the human capital of the state. As a result, they are critical development parameters of a state, thus making social institutions an integral part of social institutions.

Property rights refer to the legal ownership of assets and resources in an economy. Furthermore, an economy that boasts stable property rights gives investors' confidence in the country, as they are confident that their investments will be protected and bailed out. According to the study of Malizia, enforcement of property rights is protected by public law institutions. This increases the confidence of investors to invest in the economy [7]. Additionally, the availability of property rights increases investment due to the availability of credit. A study by Delis found that the presence of strong property rights also enhances credit markets [8]. This is because investors' tangible assets are protected because of property rights. This makes such assets eligible to be used as credit facilities, thereby increasing investment in the country. As a result, the distribution of capital within the country increases, leading to higher inflows and ultimately economic growth. This suggests that property rights are an integral part of institutions, as they provide resources for the economy.

Communication costs are another important factor in a country's development agenda. A study by Liu showed that economic growth in the country is stronger due to lower communication costs in developing countries [9]. This is because financial transactions are more efficient as transaction costs decrease. This reinforces the fact that there is some economic stability in the country. Consequently, this leads to higher growth rates in some countries where trade costs are low. On the other hand, the same study conducted by Liu also found that lower transaction costs lead to capital inflows into the country. This leads to an increase in domestic output, which leads to economic activity at higher levels and higher levels of economic growth [9]. Consequently, smaller transaction costs require market efficiency and, thus, greater economic growth. For countries with strong and efficient institutions, communication costs also decrease with channel dependence. A study by Cuypers, found that transaction costs decreased significantly over time as the economy grew [10]. This is because road dependence leads to economic efficiency, leading to a more stable distribution of resources. This further reduces the cost of doing business in the economy and creates a sense of economic growth.

In institutional economics, a country's political stability is also an important determinant of a country's development. According to the study by Kyarem, a country's political stability has a significant positive effect on a country's economic growth in the short run [11]. This can be understood from research conducted in Nigeria between 1996 and 2017 using the ARDL model, which shows that greater political stability leads to higher governance. Moreover, there is a significant positive impact on economic growth and development because of political stability. This is because stable governance provides a predictable business environment in the economy. Such an environment helps build confidence among investors, leading to long-term investment. It is an important factor in the economic development of the country. Moreover, good governance also determines the economic and social outcomes of the country. As reported by De Guimarães, better governance leads to better and more sustainable economic growth [12]. This is because the laws governing existing institutions, such as government, are also intended to create social stability through the process of development. Therefore, the efficient use of resources leading to such good governance leads to sustainable development patterns in the country.

Institutions also play an important role in the functioning of the market because they allow for efficient allocation. According to the study by Chen, every economy aims to increase its productivity and achieve sustainable growth [13]. Efficient resource allocation is key to achieving this sustainable economic growth. According to a study in China, the country's rural areas experienced significant growth due to more efficient markets, resulting in better distribution of resources in the economy. This increase in agricultural production contributes to the country's economic growth, as does the income of individuals in the economy. Moreover, it is also important to understand that government efficiency plays an important role in the distribution of resources in a society. A study by

Palaniswamy and Krishnan found that the weakest institutional form is in resource-scarce communities [14]. On the other hand, communities with better institutions got a greater share of resources. These differences in resource allocation also led to changes in the development of the country. Consequently, the efficient allocation of resources is essential for healthy economic growth.

Institutions also play an important role in developing social capital. A study by Ahlerup suggests that social capital and institutions tend to develop simultaneously in the economy [15]. This comes from a pragmatic approach, where historical events provide guidance for institutional development in an economy. This in turn shapes the development of social capital within a country. This includes, improvements in education, health, and other social activities. Moreover, it is also understood that the acquisition of strong social capital leads to better economic outcomes. A study by Makiyan found that high levels of social capital and institutional quality have a strong positive relationship with a country's economic performance [16]. This is because greater social capital would mean better physical and human capital. This would promote a safe environment for citizens to operate more efficiently within an economy and contribute to economic growth. As a result, this shows that social capital has a substantial impact on the economic performance of a country.

In summary, the previously discussed literature shows that institutional characteristics like political stability and governance play a critical role in the development of a nation. However, there are limitations in the number of studies that show the impact that different forms of institutions have on countries. Moreover, the literature also lacks comparative studies between the two nations showing the impact of the different kinds of institutions. As a result, this particular study aims to analyze the impact that a centralized institution and a democratic institution would have on the development of a nation. Moreover, this would be addressed using the examples of China and the United Kingdom in a comparative study.

## 3. Methodology

The study would follow a mixed research design that would comprise both a comparative analysis of the two nations and a quantitative analysis.

The comparative analysis of this particular paper will be qualitative. Qualitative comparative research provides an understanding of the qualitative factors that will affect the outcome of the research. According to research by Thomann and Maggetti, it makes sense to measure external validity, internal validity, and argument consistency when using qualitative comparative analysis [17]. Such an approach ensures measured factors in research are robust and more accurately identify cause-and-effect relationships between variables. It also ensures widespread applicability. Consequently, comparative qualitative analysis is an important part of this methodological study. In this particular study, comparative qualitative analysis will examine how institutional characteristics lead to specific economic and social outcomes in a given country. This will help to identify the various causes of the results. Moreover, the same can be used to compare the causal models of different countries. The comparative qualitative analysis in this study will take precedence in examining the impact of institutions in the United Kingdom and comparing the results with those in China.

This particular study uses statistical data and statistical methods to investigate causal relationships between variables through quantitative analysis. According to Mohajan, quantitative analysis uses explanatory variables to generalize the results of different models [18]. This is because studies using statistical methods can validate models using such an approach. Moreover, the causal relationships identified by such an approach are much stronger and can be easily generalized. Consequently, the research in this particular study will examine the impact of global governance indicators on economic and social outcomes in China and the United States. The study uses regression analysis to examine the impact of various sovereignty indicators on economic indicators such as GDP, GDP per capita, government expenditure, inflation, the human development index, etc. This will show the impact that organizations have on economic, economic and social development countries. Moreover, to understand the quality of institutions in the country, the study uses a combination of governance indicators such as political status, voice, accountability, and effective governance. The following regression equations are estimated for quantitative analysis:

$$\text{Gross Domestic Product}_{it} = \beta_1 + \beta_2\,(\text{Political Stability}_{it}) + \beta_3\,(\text{Voice and Accountability}_{it}) + \beta_4(\text{Government Effectiveness}_{it}) + \varepsilon_t \quad (1)$$

$$\text{Gross Domestic Product Per Capita}_{it} = \beta_1 + \beta_2\,(\text{Political Stability}_{it}) + \beta_3\,(\text{Voice and Accountability}_{it}) + \beta_4(\text{Government Effectiveness}_{it}) + \varepsilon_t \quad (2)$$

$$\text{Govenrment Expenditure}_{it} = \beta_1 + \beta_2\,(\text{Political Stability}_{it}) + \beta_3\,(\text{Voice and Accountability}_{it}) + \beta_4(\text{Government Effectiveness}_{it}) + \varepsilon_t \quad (3)$$

$$\text{Inflation Rate}_{it} = \beta_1 + \beta_2\,(\text{Political Stability}_{it}) + \beta_3\,(\text{Voice and Accountability}_{it}) + \beta_4(\text{Government Effectiveness}_{it}) + \varepsilon_t \quad (4)$$

$$\text{Human Development Index}_{it} = \beta_1 + \beta_2\,(\text{Political Stability}_{it}) + \beta_3\,(\text{Voice and Accountability}_{it}) + \beta_4(\text{Government Effectiveness}_{it}) + \varepsilon_t \quad (5)$$

## 4. Comparative Study

This part of the research will first examine the role of institutions in the development process of the country. Acquah found that institutions are an important part of economic development, especially in low-income and middle-income countries [19]. A study of 80 countries between 1980 and 2015 has revealed this. The study, which uses the General Propensity Score method, has further revealed that the different kinds of institutions have unique impacts on the growth levels of the country. As per the literature, it has been understood that institutional capacity impacts the political fronts as well as the level of governance in a nation. As a result, this also impacts the general efficiency of the nation with respect to the allocation of resources and transaction costs. Therefore, different kinds of institutions have their own unique impact on the development path.

In this study, the case of a centrally controlled institution is compared to a representative form of government. Moreover, a comparative study is conducted between the two to understand the unique impacts that each form of institution has on the developmental process. A study by Stewart, has revealed that both democratic and centrally controlled forms of institutions look towards development [20]. However, one uses political cooperation within an overarching community, whereas other sticks to a limited political community. This leads to a variation in the power level that each form of institution holds in the development process of a nation. As a result, it could be observed that both the United Kingdom and China have faced unique development levels throughout the years. The following segment of the comparative study would use various literature resources to understand the development of both nations from a historical perspective.

### 4.1. Development in the United Kingdom

The United Kingdom boasts a greater history in the development of its political and government structures. According to Jones and Norton, the United Kingdom faced a greater path dependency in order to develop its institutions [21]. This is because the vast historical timeline of the British government and political system led to a greater learning period for the nation. This involved a number of major revolutions that eventually led to the present state of the United Kingdom. Moreover, another study by Blackburn has revealed that the constitutional monarchy in the state has ensured a balance of power between the parliament and the monarchy [22]. This led to a strong form of government effectiveness in the nation as well as a higher voice and accountability in the nation. As a result, the institutions in the United Kingdom represent a greater form of political stability, which led to the development process in the state.

The economic development process in the United Kingdom reached an advanced stance because of the greater path dependency of the nation. As per Gargano, the multi-level governance in the United Kingdom led to institutional arrangements that led to the development process in the nation [23]. Moreover, the parliament led to critical decision-making in a democratic manner that kept in mind the welfare of the majority of the population. As a result, there is a greater level of social and economic infrastructure development in the nation when compared to others. Furthermore, in another study by Wilkinson, it has been understood that the British economy, through its strong political and legal institutional framework, led to the establishment of high-quality education systems as well as healthcare systems [24]. This development in the public service utilities has enhanced the social capital and welfare of the nation. Moreover, the enhanced social capital was also supplementary to the economic development of the nation as one of the most powerful countries in the world. As a result, it could be understood that the representative government in the United Kingdom led to the dynamic economic growth of the nation.

In the present day, the United Kingdom remains one of the most critical economies in the world. As per the World Bank, the country has a GDP of 3.34 trillion USD with an economic growth rate of 0.1% [25]. The same source has also revealed that unemployment in the nation settled at 4.1% with inflation reaching 6.8%. In recent times, the forces of globalization have led to the weakening of the British economy. This also comes as the country has faced a decline in its government efficiency over the years (Figure 1). This fall in government efficiency also brought out a number of socioeconomic problems in the nation. Despite having a strong form of institution, the United Kingdom faced challenges with respect to the high cost of living. This showed that the United Kingdom faced a decline in efficiency in terms of resource allocation [26]. This led to a higher transaction cost within the economy, which ultimately led to the weakening of the British economy.

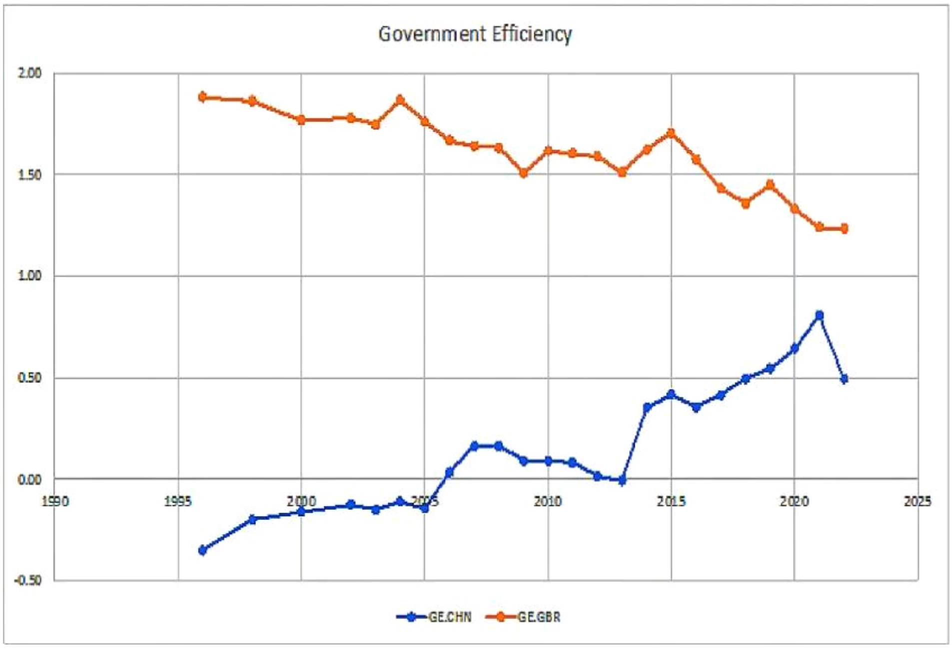


Figure 1: Government efficiency index.

## 4.2. Development in China

Historically, the Chinese economy has followed the protected path of domestic centralization. According to Suisheng, China's economy faces a hierarchy of governance that relies on a top-down approach [27]. This means that systems with the highest levels of governance in the country and responses from the lowest levels are not generally considered. Using such a top-down approach, unlike democratic institutions, leads to more efficient and faster decision-making at the national level. Moreover, such an approach provides guidance for large-scale projects in the country. Consequently, the historical development of centralized control in China has contributed to the country's current economic growth.

The setup of a hierarchical administration in the Chinese economy also leads to massive transaction costs for the nation within the decision-making process. As per Rudbeck, the transaction cost of controlling the flow of information and maintaining centralized control is high for economies like China [28]. This is because such institutions require a high level of monitoring and enforcement. As a result, this leads to a loss of voice and accountability in a nation and also leads to a fall in economic stability.

The centrally controlled institutions also led to a substantial level of rapid development in an economy like China. As per Wilson, the Chinese economy has shown a positive relationship between high-quality governance and economic performance [29]. This is because high-quality governance leads to the efficient execution of projects in the nation, which eventually propels the development path. Moreover, as per Figure 1, it has been realized that the Chinese economy has experienced a rise in government efficiency over the past decade. This is because of the rapid execution of developmental projects in the nation. Thus, this shows that the centralized institutions of China play an integral part in the development process of the nation.

# 5. Analysis

The particular study uses data from the World Bank in order to provide the statistical analysis. The data used in the analysis are governance indicators like Political Stability, Voice and Accountability and Government Effectiveness [30]. On the other hand, economic data from the World Bank are also considered, which comprise Gross Domestic Product, Gross Domestic Product per capita, Government spending, Inflation Rate, and the Human Development Index. The data has been collected between 1996 and 2022 for the countries of China and the United Kingdom for statistical analysis [30].

The statistical analysis for the study has been divided into two segments. The first segment consists of the univariate analysis that shows the descriptive statistics of the variables used in the study. Table 1 showcases the summary of the Governance indicators used in the study.

Table 1: Descriptive Statistics of Governance Indicators for China and United Kingdom.

| Variable | Obs | Mean | Std_Dev | Min | Max |
|---|---|---|---|---|---|
| PSCHN | 24 | -0.4422 | 0.138775 | -0.65706 | -0.09785 |
| PSGBR | 24 | 0.47458 | 0.253487 | 0.077565 | 1.033106 |
| VACHN | 24 | -1.585 | 0.108908 | -1.75 | -1.36 |
| VAGBR | 24 | 1.31865 | 0.080252 | 1.195277 | 1.597446 |
| GECHN | 24 | 0.16483 | 0.305312 | -0.34865 | 0.809332 |
| GEGBR | 24 | 1.60025 | 0.186868 | 1.238635 | 1.882196 |

From the analysis, it can be revealed that the mean Political Stability in China is -0.44, whereas the same for the United Kingdom is 0.47. The data for China comes with a standard deviation of 0.138 whereas the data for the UK comes with a standard deviation of 0.253. On the other hand, the Voice and Accountability indicator showed a mean of -1.58 for China with a standard deviation of 0.10. The same for the United Kingdom was 1.31, with a standard deviation of 0.08. Finally, the Chinese economy showed a mean government efficiency of 0.16 over the period of the study. During the same time period, the United Kingdom showed a mean government efficiency of 1.60.

The study further deviates into a multivariate analysis that finds the impact of various Governance indicators on the economic and social outcomes of the nation. Table 2 shows the impact of the indicators in the United Kingdom. On the other hand, Table 3 shows the same for China.

Table 2: Regression of Governance Indicators on Economic and Social Indicators for the United Kingdom.

| | Coeff. | p-value | Coeff. | p-value | Coeff. | p-value |
|---|---|---|---|---|---|---|
| GDP | -1.130 | 0.272 | 0.720 | 0.479 | -3.500 | 0.002*** |
| GDPPCI | -3.142 | 0.043** | -2.937 | 0.528 | -4.031 | 0.037** |
| CPI | 1.197 | 0.472 | 1.417 | 0.786 | -3.861 | 0.071* |
| Govt. Exp. | 1.38e^11 | 0.154 | 9.31e^10 | 0.755 | -4.33e^10 | 0.001*** |
| HDI | -0.037 | 0.032** | 0.003 | 0.959 | -0.105 | 0.000*** |

From Table 2, it can be seen that government efficiency has a statistically significant effect on all the indicators for the United Kingdom. Political stability has significant indicators for GDP, PCI, and HDI. As per political stability, the increase in the parameter by 1% leads to a fall in GDP, PCI for the UK by 3.14%. On the other hand, an increase in political stability in UK leads to a fall in HDI by 0.03%. For Government Efficiency, an increase in the same leads to a fall in GDP by 3.5%, whereas the GDPPCI falls by 4.03%. Negative effects have also been recognized for CPI, government expenditure, and HDI.

Table 3: Regression of Governance Indicators on Economic and Social Indicators for China

| | Political Stability | | Voice and Accountability | | Government Efficiency | |
|---|---|---|---|---|---|---|
| | coef. | p-value | coef. | p-value | coef. | p-value |
| GDP | -3.37e^12 | 0.472 | 8.80e^12 | 0.182 | 1.81e^13 | 0.000*** |
| GDPPCI | -0.031 | 0.985 | 2.372 | 0.304 | 2.225 | 0.001*** |
| CPI | 2.920 | 0.548 | -3.890 | 0.564 | -1.208 | 0.497 |
| Govt. Exp. | 4.12e^13 | 0.588 | 1.53e^12 | 0.155 | 3.02e^12 | 0.000*** |
| HDI | -0.082 | 0.179 | -0.015 | 0.853 | 0.211 | 0.000*** |

From Table 3, it can be seen that political stability, voice, and accountability do not have any statistical significance on the economic and social indicators for China. However, government efficiency leads to statistically significant results for all the indicators in China. A 1% rise in government efficiency leads to a rise in GDP by 1.81e^13points, whereas the GDPCPI increases by 2.225%. The CPI falls by 1.208% when government efficiency rises and finally, it can be recognized that government expenditure and HDI also rise by 3.02e^12 and 0.211, respectively, with a rise in governance.

## 6. Results and Discussion

This particular chapter of the study deals with the research results. From the research, it could be realized that a centrally controlled institution and a democratic institution have unique impacts with respect to development. This could be understood further using the analysis of the comparative results and the statistical results.

The comparative analysis of the study shows that the institutions in the United Kingdom have been democratic in nature historically. This led to a greater level of government efficiency, voice, and accountability, as well as political stability for the United Kingdom. As per Figure 1, it has been further recognized that these parameters of the United Kingdom have been substantially higher than those of China. This is mainly because the historical development of the representative government in the United Kingdom led to a path of development where the institutions learned from historical events. This laid the foundation for strong institutions, which led to better socioeconomic outcomes for the nation. Moreover, the representative form of institution highly operates on feedback from the lower levels as well as the citizens. This led to the sustainable development of the United Kingdom as a developed nation.

On the other hand, China faced an institution that was gradually new when compared to the United Kingdom. The Chinese economy faced centralized planning historically, but the use of government institutions as a central planner was relatively new as the country gained independence in 1949. Despite starting the development process late, the nation has faced substantial economic growth in the past few decades because of its institutional capacity. The centralized control ensured efficiency in the nation and imposed the development of heavy industries in the nation. Furthermore, the strategic opening up of the economy led to the growth of exports, which led to substantial income for the Chinese economy. This led to a spillover effect in the economy, leading to a greater level of investment and a circular flow of money. Overall, the high efficiency of the Chinese institutions, followed by the strong property rights and stringent laws, led to the rapid industrialization and development of China.

The statistical analysis shows that the average governance indicators of the United Kingdom are better than those of China. However, from Figure 1, it can be seen that there is a fall in average government efficiency and political stability in the UK. During the same period of time, government efficiency improved drastically in China. This led to positive outcomes for social and economic indicators in China (Table 3). The greater government efficiency led to a more appropriate allocation of resources, causing a positive impact on economic and social indicators. On the other hand, the falling government efficiency in the United Kingdom comes from the fall in political stability. This leads to adverse effects on socioeconomic indicators, as the government is inefficient and unable to allocate resources in a proper manner. As a result, there is a negative impact of governance indicators on social and economic parameters in the United Kingdom.

## 7. Conclusion

There is a substantial difference in economic and social outcomes with a change in institutional quality. Democratic institutions like those in the United Kingdom followed a historical path of development. This led to a substantial level of maturity in institutions, which allowed for greater socioeconomic outcomes for the nation. However, the democratic form of governance is not always efficient, as has been understood in the case of the United Kingdom. As political stability in the nation fell, government efficiency also fell. This led to adverse effects on social and economic parameters in recent times. On the other hand, it could be realized that China has faced a centrally controlled institution over the years. Despite being a centrally governed state historically, the independence of China under a government structure was comparatively new. This young establishment of institutions showed a number of vulnerabilities in China, as the major urban spaces remained developed while the central areas of the nation remained highly underdeveloped. Despite these shortcomings, it could be understood that the institutions in China remain highly efficient because of the centralized control. This ensures that the allocation of resources is optimal and that the economic and social outcomes are also favorable. This could be seen in the case of China, where an efficient government led to better outcomes for the economy and society. As a result, this shows that various forms of institutions lead to unique levels and paces of development across countries.

This particular paper on institutional quality and its impact on economic development has faced a number of practical hindrances. Firstly, the usage of historical context and data towards the development of the institutions has not been done in detail. Moreover, the impact of the institutions on specific forms of societal parameters has not also been measured. Finally, the study only considers centrally controlled institutions and democratic institutions. However, there are also other institutions that are present in the form of governments. Future studies can delve into these limitations and provide an even more dynamic study.

Overall, this particular research has a number of significant practical implications. Firstly, the research allows a deep understanding of government and political structures. The research shows how the efficiency and capability of the government and other institutes lead to decision-making within an economy, which impacts societal and economic outcomes. As a result, having knowledge of the different outcomes would lead to better policy-making as well. Moreover, the results could also be generalized and used from a broader perspective. The findings could be related to other economies and their political stability as well as their government efficiency. The same could also be used to draw outcomes from socioeconomic factors in these economies. Finally, the findings could also be used for the development of social policy, as government efficiency leads to a unique level of allocation of resources for each country. Therefore, predictions could be made for social development on the basis of the information provided.

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