

THE IMPACT OF HUMAN CAPITAL ON THE ECONOMIC DEVELOPMENT OF THE COUNTRY

Sherkhanov Iftikhor Abdulrazzoqovich

2nd Year Student of Economics

svita2702@gmail.com

Abstract:

The article explores how human capital influences a country's economic growth. It highlights that investing in human capital, with a focus on education and healthcare, along with government-led reforms, serves as an effective means to boost population income. The research also examines regional variations in per capita income. In conclusion, the article discusses how the development of human capital affects key macroeconomic indicators such as income levels, unemployment, and inflation, and offers proposals and recommendations for further enhancing human capital.

Keywords: Human capital, population income, education, healthcare, standard of living, social sphere.

Introduction

Today, the countries of the world consider rational and efficient use of human capital as the most important factor in achieving economic development. This is because the sustainable development of each state directly depends, first of all, on the level of knowledge, practical skills and ability of the population to absorb innovative innovations. Development of the main components of human capital – education, health care and professional development systems – is an important factor in increasing productivity, introducing innovative solutions and building a competitive economy. Therefore, today many countries give the highest priority to the development and efficient use of human capital. And strategic investments in this direction serve as a key factor for economic growth and sustainable development.

Therefore, proper use of human capital is key to the long-term success of each nation and gaining an edge in global competition. If a country can unleash the full potential of its citizens, this will have a positive impact not only on their personal merits, but also on the position of the country on the international stage.

Indeed, Uzbekistan is also undergoing consistent reforms in the development and effective orientation of human capital. In particular, the first priority direction of the Strategy "Uzbekistan – 2030" adopted by the Decree of the President of the Republic of Uzbekistan dated September 11, 2023 No. 158 sets out goals and measures aimed at developing human capital. According to him, special attention is paid to creating favorable conditions for

every citizen to realize their potential, improving the systems of education, health and social protection (Decree, 2023).

In addition, important areas related to human capital have been identified within the framework of the program "From Poverty to Prosperity" No. PP-330 adopted on September 23, 2024. In particular, the program plans to take comprehensive measures to lift 500,000 people out of poverty by the end of 2024 and 1 million by 2025. It also provides for measures such as expanding educational and vocational training of the population, increasing the coverage of preschool education, training in foreign languages, professions and specialties, and promoting higher education. According to the program, by the end of 2025, the preschool enrolment rate for children aged 3–7 years will reach 80% (Decision, 2024).

The impact of human capital on the economic development of the country

Human capital is important in studying the impact on a country's economy, on people's incomes, and in understanding problems related to economic development, education, health, and social opportunities. The concept of human capital has been explored by many foreign and domestic scholars in their research.

In particular, Becker's work "Human Capital: A Theoretical and Empirical Analysis, with Special Reference to Education", published in 1964, is one of the main works of human capital theory. In this work, Becker analyzes investments in areas such as education and health care as economic activities aimed at increasing personal and social returns. He believes that such investments will contribute to an increase in the wages and labor productivity of individuals. Becker evaluates education from an economic perspective and sees it as an investment that increases workforce productivity. He notes that a person's health also affects work productivity. Investments in human capital benefit not only individuals, but also the whole society, an educated population reduces the crime rate, develops innovation, and accelerates economic growth that is what it means to be a person? This work of Becker was important in the development of the concept of human capital and its introduction into economic theory, winning the Nobel Prize in Economics in 1992 (Becker, 1964).

In "The Human Capital Edge," authors Bruce and Kay (2002) explore the important link between effective employee management practices and shareholder value creation. Drawing on extensive research and real-world examples, they explore 21 key practices that companies can implement in raising human capital for competitive advantage. These practices span the entire life cycle, from hiring and retaining employees to managing performance and developing leadership. Pfau and Kay (2002) emphasize the role of HR leaders and senior executives in driving organizational change, emphasizing the importance of aligning human capital strategies with business goals and culture. Scientists believe that by applying a systematic approach to human capital management, companies

can increase employee engagement, productivity, and innovation, ultimately leading to sustainable long-term growth and profitability.

Levy and Murnane's (2003) work "The New Division of Labor" explores the transformative impact of technology on the nature of work and the skills needed to succeed in the 21st century labor market. The authors say that advances in computing technologies, in particular artificial intelligence and machine learning, are reshaping jobs and creating new opportunities for workers with strong cognitive and social skills. Drawing on extensive case studies, Levy and Murnane analyze the changing demand for skills across industries and professions, highlighting the growing importance of complex problem-solving, creativity, and interpersonal communication. They will also discuss the impact of these trends on education and workforce development, supporting investment in lifelong education and skills development to ensure that people thrive in an increasingly digital economy.

Cascio's (2019) work, "Investing in People," offers a comprehensive framework for assessing the financial impact of human resource initiatives on an organization's performance. Based on empirical research and case studies, Cascio shows how investments in employee recruitment, training, and development can generate measurable returns for companies. He presents the concept of "human resource accounting" as a tool for quantifying the value of human capital and evaluating the return on investment of an HR intervention. Cascio also explores the role of HR metrics and analytics in guiding strategic decision-making, emphasizing the importance of aligning human capital strategies with business goals. By taking a data-driven approach to human resource management, companies can optimize their investment in their workforce, increase employee engagement and retention, and ultimately ensure sustainable growth and profitability.

Rosenfield and Spillane's (2021) "Learning Curve" offers a provocative analysis of the challenges facing business schools in the digital age and the need for innovative approaches to management education. Drawing on insights from academia, industry, and technology, the authors explore how business schools are rethinking their curricula, pedagogy, and delivery models to better prepare students for the demands of the rapidly evolving business landscape. They highlight the importance of developing learners by discussing emerging trends such as experiential learning, online education, and interdisciplinary collaborations. Rosenfield and Spillane also explore the role of business schools in social and environmental change, advocating a more holistic approach to management education that embodies ethics, sustainability, and diversity. Absorbing innovation and adaptability Business schools can remain relevant and influential in shaping the future of business leadership and entrepreneurship.

These scholars have justified the direct impact of the efficient use of human capital not only on the person himself, but also on the country's economy.

Research Methodology

In the course of the study, a systematic approach to the study of economic systems and proportions, a comprehensive assessment, comparative and specific analysis, grouping methods were used to study the impact of human capital development on the country's economy.

Analysis and Discussion of Results

Developing human capital, i.e. education, health, vocational qualifications and capacity building of people in general, is an important component of economic development. The development of human capital has a positive impact on incomes of the population, employment and the level of inflation. Educated and skilled workers will provide higher labor productivity and increase wages, which will lead to overall economic growth and an improvement in the standard of living of the population. Human capital development also plays an important role in reducing unemployment, creating new jobs and managing inflation in the economy.

In 2024, 33,919.7 billion soums or 48.2% of total expenditures were allocated from the state budget for social sector expenditures. Those costs amounted to 12.9 percent of GDP. In the first quarter of 2024, much attention was paid to the issues of further deepening reforms in the field of education and training, improving educational standards and programs, further strengthening the material and technical base of secondary schools, vocational education institutions and universities.

In particular, 16,012.1 billion soums or 2,972.7 billion soums were allocated from the state budget for the maintenance and development of educational institutions, which accounted for the main part of social sphere expenditures (47.2%).

In the field of preschool education: As a result of the reforms carried out to reform the preschool education system, the development of public-private partnerships in the preschool education system is actively supported. At the same time, 2,267.3 children of preschool education age are being educated in 6,780 state preschool educational institutions and 26,315 non-state preschool educational institutions.

This, in turn, made it possible to cover 74.3% of children of preschool age in the country. During the reporting period, a total of 3,019.7 billion soums were allocated to the preschool education system, or 474.8 billion soums more than in the corresponding period of 2023. Of these, 1,581.4 billion soums were allocated from the republican budget and 1,438.3 billion soums from local budgets.

In the first quarter of 2024, 751.0 billion soums were allocated for subsidies to preschool educational institutions established on the basis of public-private partnership, or 151.8 billion soums more than in the corresponding period of 2023.

In recent years, a lot of work has been done to improve the quality of school education, its conditions, and increase the number of students. In turn, 10.4 trillion soums were allocated

to the secondary education sector in the first quarter of 2024, or 1.8 trillion soums more than in the corresponding period of 2023.

In the first quarter of 2024, a total of 2.6 trillion soums were allocated to the field of personnel training, or 648.7 billion soums more than in the corresponding period of 2023. Of these funds, 1.4 trillion soums were spent on salaries and salary deductions. 28.3% of the expenditures on personnel training, or 730.3 billion soums, were spent on maintaining secondary specialized and vocational educational institutions and ensuring the creation of favorable conditions for students in these areas.

The measures taken in recent years in Uzbekistan to develop human capital, especially to strengthen the system of secondary specialized and vocational education, are clearly reflected in the financial indicators. (Table 1)

1-Table Table is divided into secondary specialized and vocational education institutions for 2022-2024, funds (billion UZS)

Directions	2022	2023	2024 year Quarter 1	Growth % compared to 2022
Academic High Schools	61,7	74,4	89,4	144,9
Vocational schools	233,2	286,6	397,4	170,4
Colleges	83,9	22,8	149,0	177,6
Technikums	30,7	44,2	87,2	284,0
Total	413,3	433,1	730,3	176,7

The total funds allocated to the sector amounted to 730.3 billion soums in 2024 from 413.3 billion soums in the first quarter of 2022. This represents **a growth of 176.7%** and indicates increased government attention to the industry.

The funds allocated for academic lyceums increased from 61.7 billion soums to 89.4 billion soums, which amounted to **144.9%**. This is the result of our efforts to improve the quality and academic level of education.

Vocational schools are one of the highest-funded areas and amounted to 397.4 billion soums in 2024. This represents **an increase of 170.4%** compared to 2022. These indicators show that the country's reforms in preparing young people for practical professions, providing them with employment and training competitive personnel in the economy are a priority.

Funds allocated to colleges increased from 83.9 billion soums to 149.0 billion soums, which can be seen as a revival after a temporary decline in 2023. **If in 2022** 30.7 billion soums were allocated for technical schools, in 2024 this figure increased to 87.2 billion

soums and became one of the institutions with the highest growth with **an indicator of 284.0%**. This indicates that the demand and opportunities in this area are increasing.

In general, the steady and, in many cases, high-speed growth in the amount of funds allocated to secondary specialized and vocational educational institutions in the country clearly reflects the country's priority attention to the development of human capital, providing the labor market with highly qualified personnel and training specialists who will contribute to economic growth.

During the reporting period, 1.6 trillion soums were spent on the maintenance of higher educational institutions, the organization of advanced training events and other expenses, which are another part of the field of training.

When studying the impact of human capital on the country's economy, we take gross domestic product (GDP), production, unemployment, real incomes of the population, and **inflation** as indicators representing the economic situation of Uzbekistan. Let's analyze some of them.

As a result of the development of human capital, it affects the growth of the private sector and the increase in overall economic development and incomes of the population (Table 2)

2-table Total per capita income (by regions)

Classifier	2021 year	2022 year	2023 year	2024 year	In 2021 year Compared to 2024 %
The Republic of Uzbekistan	15421,7	18373,9	20764,5	24111,9	156.3%
The Republic of Karakalpakstan	11731,8	13779,1	15037,5	16858	143.7%
Andijan region	13449,7	16443,6	19236,1	21926,3	163.1%
Bukhara region	18910	22320,7	24267,7	27508	145.5%
Djizak region	13668,5	15567,4	17389,2	19435,1	142.1%
Kashkadarya region	12597,9	15054,4	16366,7	18473,5	146.6%
Navoi region	25887,5	28358,1	32537	38112,3	147.3%
Namangan region	11915,5	14415,1	15291,1	16849	141.4%
Samarkand region	13231,2	15721	16701,5	19215,4	145.2%
Surkhandarya region	12282,4	15031,9	16205,8	17880	145.6%
Syrdarya region	13185,1	15028,4	16954,9	19036,5	144.4%
Tashkent region	16957,8	19122,6	21563,1	25123,3	148.1%
Fergana region	11741	14350,6	17320,7	19119,9	162.9%
Dharazm region	16292,2	20155,2	20509,2	23410,8	143.7%
Tashkent city	31502	38143,6	47183,4	60594,4	192.3%

Table 2 shows the total per capita income (thousand soums) for each region from 2021 to 2024. The total indicators of the Republic of Uzbekistan increased from 15,421.7 soums in 2021 to 24,111.9 soums in 2024. The growth rate is 156.3%, and the growth dynamics of the country's total income by regions is stable.

The per capita income in Tashkent in 2021 was 31,502 soums, and by 2024 it reached 60,594.4 soums. This growth is 92.3%, which indicates a multifold increase in economic activity in Tashkent. The high growth of Tashkent reflects innovation, investment and the creation of new jobs.

In Fergana region (62.9%) and Andijan region (63.1%), the income of the population increased by more than 60%, which indicates an improvement in the social and economic situation of the population. Information and communication technologies, reforms and best practices in the agro-industrial sector in Fergana and Andijan regions have had a positive impact on incomes of the population.

Revenues in the Republic of Karakalpakstan, Khorezm region and Bukhara region and other regions increased by 40-50%. This situation is the result of, among other things, the modernization of infrastructure and reforms in the trade, industry, and agrarian sectors in these regions.

In Namangan (41.4%), Jizzakh (42.1%) and Samarkand (45.2%) regions, growth is somewhat higher, in line with the general trend. Training and employment programs and manufacturing and manufacturing sectors on agro-industrial areas are developed in these regions.

The growth in the Navoi and Kashkadarya regions is high, which is explained by the creation of free economic zones, the industrial sector in the region, and even more jobs.

The overall growth of the Republic of Uzbekistan is 156.3%, which means the overall economic stability and improvement of human capital in all regions of the country. The growth of 148.1% in the Tashkent region also indicates a steady growth in per capita income.

The high growth percentage, as a result of special investments and investments in human capital, shows the positive effect of reforms in the production, trade, education and health systems. The high growth in Tashkent is interrelated, as evidenced by the city's status as an economic center and an increase in jobs. The growth of incomes of the population in all regions shows that the development of human capital has had a positive impact on economic development and improved the standard of living of people.

Conclusion and Suggestions

Human capital development has a positive impact on the country's economy by several important indicators. These factors manifest themselves in key indicators such as economic growth, employment, income, trade, and the inflation rate.

Investments in human capital development, i.e. education, health and professional development, increase cost-effectiveness. This, in turn, ensures overall production and

healthy national growth through high productivity of workers. The population with a higher level of education will be able to increase economic activity and adopt new technologies, which will contribute to the rapid growth of the economy.

It involves developing human capital, improving people's skills, teaching new skills and providing them with new jobs. This will serve to reduce unemployment, increase employment and ensure economic stability. Active employment of skilled and educated workers in jobs that meet market demand will improve the level of employment.

Investments in human capital development, education and skills will lead to increasing incomes of the population. People with higher education and vocational training earn higher wages and their purchasing power increases. This, in turn, has a positive impact on other sectors of the economy and improves the standard of living of the population.

Human capital development has a positive impact on economic sustainability. A population with a high level of vocational and education helps the economy to function efficiently, which helps to control price increases, that is, an increase in the inflation rate. An increase in the productivity of skilled workers is of great importance in maintaining price stability.

The development of human capital also has a positive impact on the country's level of access to specialized and professional knowledge. This factor ensures economic stability and development by strengthening the country's competitiveness in the international market. Workers with good education and vocational training serve to strengthen the country's role in the global market.

Clear and effective directions are needed for the development of human capital to have a positive impact on the macroeconomic indicators of the country. In this regard, we put forward several proposals aimed at developing human capital:

- From schools to higher education institutions, every stage of education should be aimed at improving skills and knowledge. This, in turn, will help to increase employment, improve incomes of the population and increase production productivity through highly qualified personnel. To achieve economic development, investments in education from both the public and private sectors are necessary.

Directing additional investments to preserve and improve human health will ensure the active work of the population in a fit and stable state. Improved health care will lead to increased productivity of the workforce, as well as reduced unemployment and economic problems. In particular, investments in specific prevention and treatment programs will ensure the continuity and development of the population.

- To create a competitive economy, it is necessary to pay attention to modern technologies and innovations. Therefore, the inclusion of educational and vocational training programs in innovative areas is required. Increasing the technological knowledge of workers will lead to an increase in production efficiency in high-tech industries, thereby accelerating economic growth. It will also enhance the country's competitiveness in the global market.

- Human capital development requires effective cooperation between the state, private

sector and local governments. The state collaborates with local governments and organizations in the formulation of its policies, which serves to expand the focus on human capital, solve regional problems, and maintain social stability. This method helps to strengthen employment, incomes, and sectoral growth.

These proposals will contribute to the positive impact of human capital development on macroeconomic indicators, including economic growth, employment, inflation, trade, and overall well-being.

References

1. President of the Republic of Uzbekistan. (2024, September 23). From poverty to prosperity (Resolution No. PQ-330).
2. Decree of the President of the Republic of Uzbekistan. (2023, September 11). Uzbekistan – 2030 (Decree No. UP-158).
3. Rosenfeld, A., & Spillane, J. (2021). The learning curve: Rethinking business school education in the digital age. *Harvard Business Review*.
4. Autor, D. H., Levy, F., & Murnane, R. J. (2003). The skill content of recent technological change: An empirical exploration. Massachusetts Institute of Technology, Department of Urban Studies & Planning.
5. Cascio, W. F., Boudreau, J. W., & Fink, A. A. (2019). Investing in people: Financial impact of human resource initiatives (Phase 3). Society for Human Resource Management.
6. Becker, G. S. (1964). *Human capital: A theoretical and empirical analysis*. University of Chicago Press.
7. Pfau, B. N., & Kay, I. T. (2002). *The human capital edge: 21 people management practices your company must implement (or avoid) to maximize shareholder value*. McGraw-Hill.