

## ISSUES OF ATTRACTING INVESTMENTS IN HUMAN CAPITAL

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### Abstract:

The article examines the concept of human capital, the role and importance of attracting investment in human capital, and provides conclusions and recommendations based on international experience, emphasizing that human capital is one of the main factors of economic growth and increasing the competitiveness of the economy in economic development.

**Keywords:** Human capital, innovation, globalization, competence, electronics, subsidy, green economy, motivation.

### Introduction

Attracting investments in human capital in the development of the country's economy involves creating favorable conditions that stimulate the flow of specialists and their knowledge. The main directions are the development of education and healthcare, improving the quality of life, and creating high-income jobs through investment. Important factors include a stable political situation, competitive conditions, as well as active international cooperation and the use of digital technologies for advertising.

The genesis and development of market relations are carried out in the process of changing production relations, the role and place of the human factor in the economic system. In this regard, the interest of economics in the creative abilities of a person, in the ways of their activation, is growing. By placing the individual at the center of the socio-economic system as a producer and consumer, a transition to the "human" dimension of society has occurred. The development of the "human capital" category, which allows for the systematic study of this fundamental resource, its dynamics, quality parameters, and demand, creates great opportunities in this area.

The effective activity and success of any organization depend on the ability of employees to acquire and use new knowledge, skills, experience, and abilities, which ensures their professional qualifications and competitiveness.

In our opinion, professional education and advanced training of employees of organizations is the basis for the development of human capital in the economy and economic entities. According to many researchers, this factor has been the main condition for economic growth and increased labor productivity throughout the 20th century and

will be of decisive importance in the 21st and subsequent centuries. “If in the 1890s mineral raw materials, energy resources, and food constituted 50 percent of the gross national product, now this figure does not even reach 10 percent, and the main source of 80 percent of the production of national products and services is qualified workers and specialists”<sup>1</sup>.

In the development of the economy of Uzbekistan and ensuring its functioning as an equal competitive economic partner in the global market, high-quality education, a wide network of high-quality healthcare services, environmental protection, and the development of a green economy are of great importance, and the training of highly qualified specialists based on accelerating the attraction of investments in human capital is a pressing issue. To achieve these goals, domestic and foreign investments should be directed towards the development of human intellect, knowledge, skills, and abilities. In this regard, the President of the country adopted decrees “On the Development Strategy of New Uzbekistan for 2022-2026” and “On the Uzbekistan – 2030” Strategy.

In particular, such issues as “creating opportunities for every citizen to receive training in a specific profession at the expense of the state, increasing preschool education coverage from the current 67 percent to at least 80 percent, improving the quality of education in schools, raising the level of knowledge and qualifications of teaching staff to the international level, increasing the level of higher education coverage to 50 percent and improving the quality of education, and improving the quality of medical services provided to the population”<sup>2</sup> are important goals to be achieved in the near future.

Since human capital is one of the main factors of economic growth and increasing the competitiveness of the economy, and Uzbekistan, like other countries of the world, aims to join the ranks of developed countries, it is impossible to achieve this without developing a knowledge economy. Such changes in this area are manifested in the implementation of investments related to the formation and use of modern, competitive specialists.

## Literature Review

The theoretical foundations of the concept of human capital were studied by world economists D. Mincer, G. Becker, T. Schultz, W. Petty, and other scientists.

Scientists of the CIS countries who have conducted research on the theoretical and practical aspects of human capital include V.S. Golubev, R.A. Perelet, V.V. Bushuev, Yu.A. Korchagin, and others.

Scientists of Uzbekistan also pay great attention to human capital in the innovative development of the national economy. Among them, K.Kh.Abdurakhmanov, A.Yu.Magrupov, A.Zh.Najmitdinov, A.Sh.Bekmurodov, A.V.Vahabov, D.Kh.Vahabova,

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<sup>1</sup> Кязимов К.Г. Управление человеческими ресурсами: профессиональное обучение и развитие: учебник для академического бакалавриата / К.Г. Кязимов. – 2-е изд. пер. и доп. – М.: Изд-во Юрайт, 2019. – 202 с. – (Серия: Университеты России)

<sup>2</sup> Decree of the President of the Republic of Uzbekistan dated January 28, 2022 No. UP-60.

B.Kh.Umurzakov and others<sup>3</sup> conducted scientific research on the significance of human capital in the development of the economy.

### Research Methodology

In covering this topic, along with general economic methods, special approaches to data systematization were used, i.e., such methods as comparison, collection of theoretical and practical materials, as well as system analysis, abstract-logical thinking, generalization.

### Analysis and Discussion of the Results

Human capital is a broad concept, consisting of many components. In the most general sense, this concept encompasses all the knowledge, skills, abilities, qualifications, motivation, incentives, and health that allow a person to create economic benefits and appropriately apply their strength and abilities.

The founder of this term is Jacob Minzer<sup>4</sup>, who published an article in 1958 entitled "Investments in Human Capital and the Distribution of Personal Income". This concept was later developed by Nobel laureates Harry Becker and Theodore Schultz<sup>5</sup>. They developed the idea of the effectiveness of investments in human capital, substantiating it as the main factor of production.

The theory of human capital as a separate branch of economic science was formed in the 60s of the 20th century. In 1960, Professor T. Schultz of the University of Chicago introduced the concept of "investment in a person" into scientific circulation. In 1962, a special issue of the "Journal of Political Economy"<sup>6</sup> dedicated to this problem was published. In 1964, the first edition of G. Becker's book "Human Capital"<sup>7</sup> was published. Within the framework of classical political economy, the foundations of human capital theory were laid much earlier. The renowned English researcher, statesman, entrepreneur, the first professional economist, and founder of economic statistics, W. Petty (1623-1687), considered the country's population to be the most important element of national wealth. He developed a quantitative method for assessing the value of the population in terms of capitalization of its income and made corresponding calculations for the dynamically

<sup>3</sup> Абдурахманов К.Х. Экономика труда: Теория и практика: Учебник: Москва: ФГБОУ ВО «РЭУ имени Г.В. Плеханова», 2019. с. 661. Абдурахманов К.Х., Магруппов А.Ю. Место и роль человеческого капитала в социально-экономическом развитии Узбекистана в условиях цифровизации экономики // Труды Евразийского научного форума. –2020. –С. 47–64. Нажмитдинов А. Ж. Развитие человеческого капитала через доступное образование. Научные исследования и инновации в индустрии 4.0. Материалы I-Республиканской научно-технической конференции. -Ташкент, 13-15 марта 2022 года. -С.163-167. <https://doi.org/10.47689/4.v1i1.3536>. Бекмуродов А.Ш. и автор. колл. Человеческое развитие. Учебник. – Т.: Фан ва технология, 2012. – 376 с.; Vakhobov A.V., Zakhidova Sh.Sh., Khajibakiyev et al. Social policy. - Т.: MUMTOZ SO'Z, 2019. - 312 p.; Вахабова Д.Х. Социальные инвестиции в человеческий интеллектуальный капитал и оценка их эффективности // Молия. – Ташкент, 2016. – №6. – С. 94-101. Умурзаков Б.Х. Теоретические и практические аспекты развития сферы малого бизнеса и частного предпринимательства в Республике Узбекистан. Монография. – Т.: «Iqtisodiyot». 2011.

<sup>4</sup> Minser J. Investment in Human Capital and Personal Income Distribution. Journal of Political Economy, Supplement, October 1958

<sup>5</sup> Блауг М. 100 великих экономистов после Кейнса. – СПб.: Экономикс, 2009. – 384 с.

<sup>6</sup> The Journal of Political Economy. 1962. Vol 70. № 5. Pt 2. Investment in Human Beings

<sup>7</sup> Becker G. S. Human Capital. – N. Y.: Cokumbia University Press, 1964

developing industry of England<sup>8</sup>. This can be considered the first experience of measuring national human capital.

The idea of useful abilities as capital, which are realized in the personality of an individual and require certain costs to acquire, was put forward by A. Smith (1723-1790) in his 1776 book "The Study of the Nature and Causes of the Wealth of Nations"<sup>9</sup>. The individual human capital approach of the Chicago School was used. Based on the conducted research, A. Smith came to the following conclusion: wealth is created in the sphere of production, and its source is labor.

The emergence of the term "human capital" contributed to the formation of a comprehensive theory for studying qualitative changes in labor resources as a result of targeted investment in people. All this is connected with fundamental changes in the world economy, which entered the post-industrial stage in the second half of the 20th century. In the process of forming an innovative economy, a post-industrial and information society, the role and significance of highly professional labor has significantly increased, while the share and role of unskilled labor has decreased. There is still no single definition of the term "human capital". Various definitions and restrictions apply to personal, corporate, and national human capital. According to the interpretation of V.N. Krutko and T.M. Smirnova: "The simplest idea of human capital is capital in the form of knowledge, skills, and abilities acquired in the process of human educational and practical activity"<sup>10</sup>.

Investments in human capital include education, industrial training, healthcare, migration, market research, and the birth and upbringing of children. In a practical sense, investments in human capital represent the costs of education, industrial practice, advanced training, and retraining, since they develop the knowledge of the individual, form cognitive skills, abilities, and necessary competencies. The most accurate and vivid type of investment in human capital is investment in education.

The countries that have achieved the greatest success in the formation of human capital are those that, despite geopolitical changes in the world, have successfully pursued sustainable actions, established intersectoral coordination, and developed long-term strategies and programs based on the analysis of accurate databases, as a result of which many long-term social and economic benefits have been achieved. These countries include Singapore, the Republic of Korea, Japan, Ireland, Finland, and others. Many have made significant changes in just a few decades.

In 1950, adults in Singapore attended school for an average of 2,1 years. By 2010, it had increased fivefold to 10,6 years, exceeding the East Asian average of 7,9 years<sup>11</sup>. Through

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<sup>8</sup> Петти В. Экономические и статистические работы в 2-х т. / пер. под ред. д-ра экон. наук М. Смит. – М.: Гос. соц. - экон. издательство, 1940. – 324 с. / [https://rusneb.ru/catalog/000199\\_000009\\_005224616/?ysclid=lpqumwe1dm162744202](https://rusneb.ru/catalog/000199_000009_005224616/?ysclid=lpqumwe1dm162744202)

<sup>9</sup> Смит А. Исследование о природе и причинах богатства народов. – М.: Изд-во АСТ, 2021. – 1072 с.

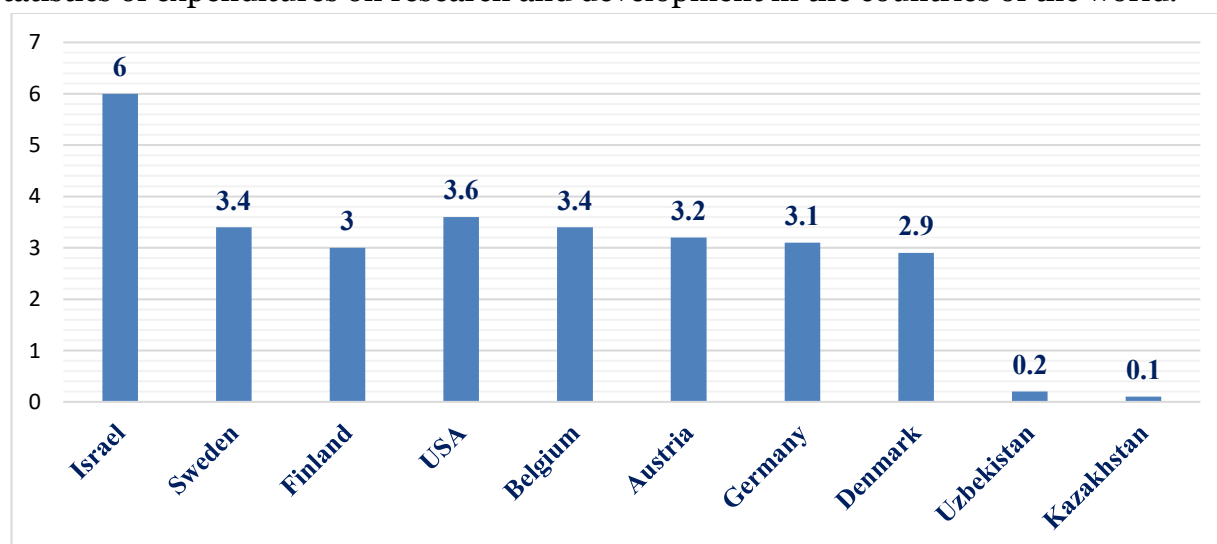
<sup>10</sup> Крутько В.Н., Смирнова Т.М. Человеческий капитал: проблема и ресурс потенциального развития России. – М.: «Цифровичок», 2012. – 227 с.

<sup>11</sup> [worldbank.org/humancapital](http://worldbank.org/humancapital)

government investment in an education-based economy, Singapore has succeeded in developing a world-class network education and innovation system that can provide quality education that meets market demands. Since the government prioritized education, it ordered that no student be deprived of the opportunity to receive education due to lack of funds. Its educational policy is aimed at integrating all private and public schools into a single national education system through direct government funding or large-scale targeted subsidies. The government also subsidized higher education through low-interest working capital loans.

As the country attracted more foreign investment, the government trained technical personnel to work at their enterprises in partnership with these foreign companies. Companies were encouraged to train twice as many technical personnel as needed, and then the first competition among graduates was organized, while the remaining qualified technical personnel were kept in reserve to attract new investors.

In the 1970s, Ireland's GDP averaged US\$88 billion, and by the end of the 20th century, the country had transformed itself, taking advantage of the economic opportunities created by the new frontiers in electronics, information technology, and globalization. In 2017, Ireland's gross domestic product reached a record level for the country, amounting to almost 334 billion US dollars. US dollars. An important component of the country's economic growth was investment in human capital, supported by major reforms in the field of education and training. By 1970, Ireland had achieved almost universal primary education, with a secondary education coverage rate of 63%. By 1990, secondary education coverage had risen to 80 percent. By strengthening these levels of education, Ireland focused on creating a sustainable, knowledge-based economy. Figure 1 below shows the statistics of expenditures on research and development in the countries of the world.



**Figure 1. Expenditures of countries on R&D in 2022 (as a percentage of GDP)<sup>12</sup>**

<sup>12</sup> Data from the UN Economic Commission for Europe. <https://w3.unece.org/SDG/ru/Indicator?id=123>

In general, research and development refers to a set of measures aimed at obtaining new knowledge and its practical application for solving specific problems. R&D includes three main groups of activities: basic research; applied research; experimental design and technological developments. Expenditures on national research and development are one of the main indicators of the country's scientific and technological progress. According to the data in Figure 1, it can be observed that, mainly in developed countries, significant funds are spent on research and development. In Uzbekistan, this figure is only 0,2 percent of the gross domestic product.

At the same time, in the development of the economy of Uzbekistan, great attention should be paid to such issues as the rational and effective use of national mentality, the quality of education, the level of healthcare, and accumulated knowledge (the level of science, competition and economic freedom, the rule of law, entrepreneurship and the security of citizens) in the implementation of investments in human capital. The more foreign direct investment is attracted to the country's economy, the greater the demand for highly qualified specialists will naturally increase. If in past centuries the inflow of foreign investments was mainly directed to countries with cheap raw materials and labor, today the inflow of investments is increasing in countries with developed education, where education and practice are strongly integrated, and, ultimately, where there are highly qualified specialists.

## **Conclusion**

Today, we believe that a priority area of sustainable development is to assist employees in adapting to the new realities of the labor market, including training and retraining of employees to achieve a close relationship with the prospects of economic development and the introduction of all available methods, tools, and techniques in the course of a person's work activity, contributing to their professional competence, competitiveness, and the care of progressive and successful businesses. In accordance with the competency-based approach, it is necessary to develop in employees not only knowledge, skills, and abilities, but also professional competencies and professional competence.

- In conclusion, we consider it expedient to carry out the following work in Uzbekistan to improve these indicators:

- The basis of a comprehensive approach and the development of human capital is manifested in the prioritization of the goals and new vectors and requirements of education, including: the ability to learn, self-determination, self-organization, self-awareness, self-management, socialization, and the development of individual characteristics of employees;
- special attention should be paid to the formation of special (professional), information-educational, social, communicative (adaptive) and cognitive competencies in specialists;
- it is necessary to allocate sufficient funds for research and development, innovations;



- increase in the salaries of teaching staff of preschool and general secondary educational institutions is required;
- transforming higher educational institutions not only into educational institutions, but also into scientific centers capable of solving scientific solutions to strategic problems;
- organization of vocational training for the operational training of qualified specialists in promising areas;
- It is advisable to attract foreign investment for the technological renewal of the education system, ensuring the necessary modern material and technical base, technical, informational, financial, and other conditions.

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