



The Role and Importance of Human Capital in Increasing the National Wealth of The Country

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ABSTRACT

This article examines the role and importance of human capital in the development of the country’s economy. Also, information about the share of human capital in the national income of Uzbekistan and developed countries.

Keywords:

Human capital, country’s economy, national income, national welfare, skilled workforce, labor productivity, economic growth, knowledge, skills, abilities.

1. Introduction

In the ever-evolving landscape of economic growth and development, nations around the world are increasingly recognizing the critical role of human capital in driving their prosperity. Human capital refers to the knowledge, skills, abilities, and attributes possessed by individuals that contribute to their productivity and potential for economic success. It encompasses not only formal education and training but also the collective intelligence, creativity, and adaptability of a nation’s workforce.

The importance of human capital in increasing the national wealth of a country cannot be overstated. While physical resources and technological advancements are undoubtedly crucial, the human element that drives innovation, productivity, and sustainable economic growth. A nation with skilled and knowledgeable individuals possesses a competitive edge in the global marketplace, attracting investments, fostering entrepreneurship, and creating employment opportunities.

2. Literature review.

According to the definition of S.Fisher (2002), “human capital is a measure of the ability to

generate income embodied in a person. Human capital consists of innate abilities and talents, as well as acquired education and skills” [1]. So, the scientist based his definitions on the possibility of developing human capital as innate or acquired capital.

According to K. Kh. Abdurakhmanov (2011), “human capital is a factor of economic growth, and achieving human development achievements in the republic implies increasing investments in human capital” [2]. “Human capital in a narrow sense represents a person’s intellect, health, knowledge, high-quality and productive work and his quality of life, in a broad sense, human capital is an intensive production factor of economic development, development of society and family, educated part of labor resources, intellectual and management work, living and working environment” [3]. Abdurahmanov (2019) fully explained not only the economic but also the social importance of human capital.

3. Research methodology

In the article, research methods such as induction and deduction, systematic and comparative analysis, and economic and statistical methods are used to develop

scientific conclusions and proposals for the development of Uzbekistan's human capital index.

4. Analysis and results

Investment has a special place in the socio-economic development of the country. Therefore, the country's development strategy focuses on attracting investment to the economy as a socio-economic direction. Investments are recognized as an important factor of development in every sector. Therefore, conditions for the investment environment in the country have been sufficiently created. In particular, our country has political stability, legal framework for foreign economic activity, established infrastructure, convenient geographic location, and sufficient mineral and raw material and labor resources. Based on scientific research, it should be noted that investments in human capital are financed by the public and private sectors, families and individuals. It can be noted that in 2024, special attention is paid to the issue of investments in human capital.

Uzbekistan, a country located in Central Asia, has made significant strides in recent years in terms of its economic progress. One of the key factors contributing to this progress is the recognition and investment in human capital.

Uzbekistan has recognized the importance of education and skills development as fundamental pillars for economic growth and development. The government has implemented various initiatives to enhance the quality of education and training, with a focus on technical and vocational education, entrepreneurship, and innovation. This emphasis on human capital development has had a positive impact on Uzbekistan's economy. By investing in education and skills training, Uzbekistan has been able to cultivate a skilled workforce that is equipped to meet the demands of a rapidly changing global economy. The country has placed particular emphasis on science, technology, engineering, and mathematics (STEM) education, as well as vocational training programs that align with industry needs. This has resulted in a pool of highly skilled workers who can contribute to

key sectors such as manufacturing, agriculture, information technology, and services.

The development of human capital has also played a crucial role in attracting foreign direct investment (FDI) to Uzbekistan. Foreign companies are increasingly drawn to countries with a well-educated and skilled workforce, as it ensures a competitive advantage and facilitates the transfer of technology and knowledge. Uzbekistan's investments in human capital have positioned the country as an attractive destination for foreign investors looking to tap into its growing market and leverage its skilled labor force.

As a clear example of this, the President of the Republic of Uzbekistan, Shavkat Mirziyoyev, in his speech during the discussion of the main directions of the state budget for 2024 and the tasks to be implemented in sectors and regions, allocated 102.5 trillion soums in 2024 to cover the costs of human capital. "This amount is 15% more than in 2023," he noted [4]. Investing in human capital includes all parts of the education system and the health care system.

Human capital is the greatest asset of any country. "Development of human capital and education of a creative young generation is one of the strategic tasks that Uzbekistan has set before itself," our president said [5]. "We believe that quality education, open to all, is the most effective factor in eradicating poverty, improving people's well-being and achieving sustainable economic growth. Our country has gained a lot of experience in this regard in recent years - the education system is undergoing radical changes. In the past six years, coverage in preschool education has increased from 21% to 70%, and in higher education from 9% to 38%. By 2030, an opportunity will be created for every child to attend kindergarten, and for every two students graduating from school to study at a university" [6].

Human capital, as the main dominant factor of modern socio-economic development, occupies a leading place in the national wealth of the developed countries of the world. According to the World Bank, "the national human capital of the whole world is 66 percent of the national wealth of all countries, the human capital of the

United States and China is 77 percent of the national capital, Brazil - 74 percent, and in Russia, this figure is almost 50 percent. While the countries of the European Union, as well as the USA, Canada, and Japan make up only 15 percent of the world's population, they are countries with a total of 59 percent of human capital"[7].

Human capital helps to increase labor productivity and quality in all types of activities. Knowledgeable and experienced specialists determine labor productivity and productivity. Knowledge, quality work, qualifications and experience of specialists play a decisive role in labor productivity.

According to the World Bank's report, "the concept of human capital includes consumption expenditures, i.e., family expenditures on food, clothing, housing, health care, and culture, as well as government expenditures for these purposes "includes" [8]. In the developed countries of the world, about 70 percent of all resources are human capital, and only 30 percent are physical capital [9].

In recent years, in order to improve the quality of life of citizens and ensure economic development, Uzbekistan has been investing heavily in health care and education. In 2022, the government of Uzbekistan allocated 2.1 million US dollars to the health sector, which shows a significant increase compared to previous years [10]. This includes spending on medical research and development, disease prevention and control, and other health services.

Investing in human capital yields numerous benefits for a country's economy. Firstly, a well-educated and skilled workforce enhances productivity levels, leading to higher output, improved efficiency, and increased competitiveness. When individuals possess the necessary knowledge and expertise, they are better equipped to contribute effectively to their respective industries, leading to overall economic growth.

Furthermore, human capital plays a pivotal role in the adoption and implementation of new technologies and innovation. As industries continue to evolve and embrace automation, artificial intelligence, and other disruptive

technologies, the human capital that drives the integration and utilization of these advancements. Skilled workers can adapt to changing circumstances, identify opportunities, and leverage technological tools to enhance productivity and efficiency.

Additionally, human capital contributes to the creation of a knowledge-based economy. Countries that prioritize education, lifelong learning, and skills development foster an environment that encourages research, innovation, and the generation of new ideas. This, in turn, attracts investments in knowledge-intensive industries, such as research and development, pharmaceuticals, information technology, and creative sectors, leading to higher economic outputs and increased national wealth.

Moreover, investing in human capital has broader social implications beyond economic growth. Enhancing education and skill levels leads to improved social mobility, reduced income inequality, and the creation of a more inclusive society. It empowers individuals to access better job opportunities, earn higher incomes, and improve their living standards. This, in turn, contributes to social stability, reduced poverty rates, and an overall higher quality of life for citizens.

5.

conclusion

In conclusion, the role and importance of human capital in increasing the national wealth of a country cannot be overlooked. A well-educated, skilled, and adaptable workforce drives productivity, fosters innovation, and attracts investments. Investing in human capital not only leads to economic growth but also promotes social development and creates a more prosperous and inclusive society. Recognizing and prioritizing human capital as a valuable asset is crucial for nations seeking sustainable economic success in the modern era.

Uzbekistan's emphasis on investing in human capital has played a pivotal role in the country's economic progress. By prioritizing education, skills training, and fostering a knowledge-based economy, Uzbekistan has positioned itself as a competitive player in the global market. The

development of human capital has attracted foreign investment, stimulated innovation, and contributed to social development. As Uzbekistan continues to invest in its people, the nation is poised to further enhance its economic growth and prosperity in the years to come.

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