

## Improving the Education System as the Main Factor in the Development of Human Capital

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**Abstract:** The article discusses the priority directions of innovative development, ensuring the progressive development of science and education. It also highlights to form basis and mechanism leading to become as international education services market exporters rather than importers by improving reforms in the field of education, which carry out the main function in the formation of the value of human capital, internationalizing of education, developing institutional frameworks and mechanisms, using the potential of scientific schools in the country.

**Key words:** human capital, innovation, innovative development, education, economically active population, tendency and prospects for the development of agriculture in Uzbekistan.



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### Introduction

At present, the role of human capital in the socio-economic development of society, its development on the basis of national characteristics, its effective use, the creation of conditions for its full expression has become one of the most important areas of research in terms of the role of countries in the international community. In this regard, it is important to study the impact of human capital development on economic growth, assess the relationship between the components of human capital, determine the impact on the introduction and dissemination of innovations, study effective methods of human capital development.

The main task facing developing countries is to bring existing human capital to a new level of quality that meets the requirements of an innovative economy. An innovative economy places high demands on the quality and efficiency of human capital.

The Strategy for Innovative Development of the Republic of Uzbekistan for 2022-2026 identifies “the development of human capital as a key goal and a key factor determining the level of competitiveness and innovative development of the country in the international arena. Besides, it aims to become one of the top 50 countries in the world until 2030 by improving the quality and

coverage of education at all levels, developing a system of continuing education, ensuring the flexibility of the training system to meet the needs of the economy, as well as creating the conditions for widespread innovation». [1]

At the same time, the importance of the task of establishing a system of training on the basis of science-based experience was stressed during the President's talks with representatives of science». [2] The new quality of human capital implies a high level of competitiveness of specialists, mastery of managers and skill of workers in all areas of activity. To fulfill these tasks, it is necessary to increase the role of the state in the formation of human potential of the country, modernize education, health care systems and expand government funding for research and development. The formation of an innovative economy and the development of a national innovation system can be carried out in countries where fundamental science and education are identified as priorities of state policy and funded accordingly. In order to achieve this aim, it is important that the state leads the innovative processes in the dissemination of new technologies, the formation and improvement of the mechanism of commercialization of the results obtained as a result of research projects.

### **Literature review**

The theory of human capital became more or less widespread among economists of the former Soviet Union in the 70s and 80s of the twentieth century. Mainly in the West, publications began to appear devoted to the theory of human capital and some aspects of the economics of education. Most of them had the character of a critical analysis based on the rules of the socialist political economy that prevailed at the time. However, this did not prevent them from being performed at a high scientific level. The works of V.I. Basov, V. Goylo, A.I. Kapelyushnikov, V.P. Korchagin, V.V. Kolachkov, V.I. Martsinkevich can be taken into account as good examples.

By the end of the twentieth century and the beginning of the twenty-first century, the scientific debate around the theory of human capital has intensified. Uzbek scientists are also conducting a number of studies on human capital and the factors involved in its formation. Scientists such as R.A. Ubaydullaeva, S.S. Gulomov, Q.H. Abdurahmanov, L.P. Maksakova, A.V. Vakhobov made a great contribution to the formation and development of economics in the republic. In addition, the works of N.X. Raximova, D.M. Karimova, N.K. Zokirova, X.P. Abulkasimov can be cited as significant sources in this sphere.

R.A Ubaydullaeva noted that "today the role and importance of social imperatives is growing due to the growth of human potential to ensure the competitiveness of the country. The state acts as a major investor in human capital as a specific aspect of the formation and development of social imperatives in Uzbekistan." [3]

According to Kh. X. Abdurahmanov, "human capital is a factor of economic growth, and the achievement of human development in the country implies an increase in investment in human capital." [4] "Human capital in the narrow sense represents human intellect, health, knowledge, quality and productive labor and its quality of life, while in the broad sense human capital is an intensive productive factor of economic development, society and family development, the educated part of labor, intellectual and managerial labor, living and working environment." [5]

D.M Karimova considers if the factors of production of material capital implies ownership of property and financial assets while the level of education of human capital and social capital mean professional skills, innovative potential of personnel, as well as public health, people's attitude to their own health, religious and cultural values, national customs and traditions. [6]

In conclusion, when man and his creative abilities have long been the focus of scientific discussions of scientists, and creating new forms of socio-economic relations make such issues are even more important in the modern world.

## Research methods

This research employs a mixed-methods approach, including:

- Quantitative Analysis. Examination of employment rates, GDP growth, and sectoral contributions to the economy using official statistics.
- Qualitative Analysis. Review of government policies, labor laws, and global employment frameworks.
- Comparative Analysis. Assessment of best practices from countries that have successfully increased employment levels to stimulate growth.

## Results

Ensuring the development of human capital based on the basic principles of the concept of human development is of the greatest importance for the republic.

Today, as our country carries out deep reforms in all areas, it is becoming clear how important the role of the education system in the development of society and economic development. In general, the types of investment in human capital are classified in direct relation to the structural elements of human capital. Investment in human capital is carried out in different stages, it can be conditionally divided into three stages. The first is determined in childhood - on the basis of the decision of the parents, that is, the judgement whether or not to invest in human capital of their child. The second one is during adolescence which is carried out at the discretion of individuals. The third is done after entering the labor force stage - that is, after the start of labor activity, directly in the form of on-the-job training during the work process, as well as through a separate investment by the employer or the individual. The investor in human capital may be the family, the state (government), non-governmental organizations and foundations, individual firms, international organizations and foundations.

Today, the role of the state in this area is very high. The state does this in a coercive and persuasive way. Examples include compulsory secondary education and compulsory medical prevention (vaccination). However, the main events are motivating. The role of the state is particularly great in the education and health systems, which are key areas of human capital formation. The accumulated human capital reserves of any society in the present period emerge as a result of the education policies of decades ago. Therefore, it is urgent to forecast the accumulated human capital in the country, taking into account the current changes in education. In forecasting human capital, it is important to forecast changes in the composition of the population of the republic, in particular, the working age population, which is the basis of labor resources, according to the level of education.

**Table 1. Similarities and differences between human capital and material capital**

<i>Similar aspects</i>	<i>Distinctive aspects</i>
<ul style="list-style-type: none"> <li>• both emerge as key factors of reproduction and provide income in a market economy;</li> <li>• both types of capital formation require certain costs and a significant amount of time and money are spent on current consumption losses;</li> <li>• investments of both types of capital provide long-term efficiency;</li> <li>• some kind of capital can be accumulated and created as a reserve;</li> </ul>	<ul style="list-style-type: none"> <li>• It is inseparable from man (i.e., its owner). Therefore, only the result of the use of human capital participates in the exchange;</li> <li>• Varies during validity. Material capital is more eternal (of course, there is a different situation for each of its forms). For example, if material capital in the form of money is constant, the knowledge and skills reflected in man to some extent will disappear with human death;</li> </ul>

<ul style="list-style-type: none"><li>• both have a monetary value, and the result of their use can be expressed in any kind;</li><li>• both types of capital are physically and mentally obsolete.</li></ul>	<ul style="list-style-type: none"><li>• The level and scope of its use depends on the decision and desire of its owner.</li></ul>
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In the total population of the republic, the number of labor resources and, accordingly, the economically active population is growing. This situation can serve as a basis for ensuring rapid economic growth. However, such an economic leap can only be ensured through the application of effective methods in coordination with education and employment policies. The coverage of the relevant age group with less than 10% of higher education is an obstacle to innovative development in Uzbekistan.

As a result of the global changes in the world economy, the development of a national education system to ensure its competitiveness, as well as the search for ways to attract foreign students can become a promising direction for developing countries, including Uzbekistan.

It should be noted that the main indicator that determines the quality of human capital is the level of education of the population. The results of many studies show that the intensity of innovation is determined by the number of economically active population and the growth of its level of education.

Implementation of the forecast of human capital in the country, especially, the structure of the population according to the previous, current and future levels of education, is important because it allows to make changes in education policy.

### Analysis and discussion

For analysis from a human capital perspective, a change in the composition of the general population according to the level of education is more important than a change in the level of education achieved in the working age population or in the labor force. In 2015, the share of people with secondary education in the population over 15 years of age was 87% and the share of people with higher education was 13%. [7] According to the forecast based on the second scenario as a result of a steady increase in coverage of higher education, this ratio will be 83.7% and 16.2% in 2025, 81.3% and 18.6% in 2030 and 78,1% and 21.8% respectively in 2035.

In turn, the share of men with secondary education will change from 84.6% in 2015 to 81.5% in 2025 and 75.9% in 2035, and the share of people with higher education will increase from 15.2% in 2015 to 18.4% in 2025 and 24% occurs in 2035. The share of women with secondary education will change from 88.9% to 85.9% in 2025, 80.3% in 2035, and the share of those with higher education is expected to rise from 10.8% to 13.9% and 19.6% respectively. It should be noted that such a result will be achieved only when the share of people with higher education in the 20-30 age group will reach 16% in 2020, 25.5% in 2025, 34.2% in 2030 and 41.8% in 2035 respectively.

This forecast can be important, first of all, in terms of planning the policy of the state in the field of education. Forecast indicators of the school-age population can serve as a basis for targeting the limited resources of the state. In other words, investing in the necessary infrastructure, training of teachers and others form the target indicators.

Second, the expected changes in the structure of the population according to the level of achieved education will make it possible to identify important areas for strategic and long-term planning. Having information about the long-term national human capital allows us to draw conclusions about the future of the country and even its geopolitical situation.

For example, according to a study by the International Institute for Applied Systems Analysis (IIASA), it is predicted that by 2030 the absolute number of able-bodied people in China with

secondary and higher education will be 1.5 times higher than in Europe and North America.[8] Such future changes in the number of skilled workers could lead to changes in the world economic system. In the current context of rapid globalization, forecasting changes in the national human capital of Uzbekistan will allow to see the opportunities for the development of an innovative economy in the country and its place in the world community and, if necessary, can be a basis for changing strategic plans.

Third, forecasting changes in the level of education by age groups makes it possible to more accurately set targets for the development of the education system. For example, the goal of eradicating illiteracy among women by 2015, which is one of the global goals set out in the Millennium Development Goals, has not been achieved due to the demographic characteristics of the world's population. By 2030, it will be achieved naturally, even in the context of current education coverage as this situation is explained by the natural death of the adult population. Having information on the level of education in the age groups of the population allows to set strategic goals more effectively.

Fourth, in some cases, the government will be interested in reducing budget expenditures while implementing programs related to structural changes in the economy. However, the states may decide to reduce "inefficient" spending as the cost of education does not provide a short-term return. Then a visual forecast of national human capital, which now reflects the extent to which changes in education coverage will affect the level of education of the adult population in the long run, can serve as strong evidence to convince the government that investment in education will return over time.

As a result of the analysis, it is concluded that it is important to ensure the further development of science and education as a priority area of innovative development in the country.

After studying thoroughly the socio-economic nature and formation of the category "human capital", the author's definition of the concept of "human capital" has been prepared: human capital is a set of creative skills such as knowledge, professional training, health, innovative creativity applied in the process of socially useful labor leading to an increase in production, labor productivity and income, which is constantly formed and developed by investment in human capital.

## **Conclusion**

The concept of national human capital has been defined, and in our opinion, this term can be expressed as a resource of useful knowledge, skills, abilities, health accumulated by the population and, in particular, the labor resources formed in the country. Education, health; vocational training; professional mobility; spirituality, culture and faith; innovative creativity have been allocated as a key component of human capital. A classification of human capital based on various criteria has been proposed. It is distinguished as individual, family, corporate and national human capital by range; general and special according to the nature of application; congenital and acquired according to the nature of formation; according to the level of use: active and potential; according to the nature of the final result: creative, passive and destructive types.

The importance of human capital will increase in the context of any economic development and, in particular, the formation of innovative economy. Therefore, it is urgent to develop a system of indicators characterizing human capital, on the basis of which a comparative analysis of the state of human capital development in the regions of the country and, ultimately, to identify and reduce differences in human capital development in the areas.

Demographically, the age-gender composition of the population in the country is formed in a ratio that allows to make a leap in socio-economic development, which can be assessed as a comparative advantage in the current global trends.

The level of using this opportunity implies the development of effective forms of education and employment policies that work in proportion to each other. To this end, employers, who are the final consumers of educational services, should be actively involved in the development of education policy in various sectors of the economy.

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