



Affect of Social Sector Spending on Human Capital Development

Kasimova Gulyar Akhmatovna

Professor of the Department of "Budget Accounting and Treasury Work", Tashkent Financial Institute

Abstract: *The article examines theoretical strategies for funding education, healthcare, and the growth of human capital at the new stage of economic development. The author's opinions are also provided.*

Keywords: *State budget expenditures, social sphere, human capital, budget organization, health care, education, economic growth, social policy.*

Introduction. The topic of fair social policy and the development of human capital has received significant public attention in Uzbekistan. These issues are addressed in the "Development Strategy of New Uzbekistan for 2022-2026," which consists of seven priority areas developed using the principle of "Strategy of Actions - Towards Strategy of Development." The growth of the social sectors is one of the strategic goals in our nation, and it is given a lot of attention. The implementation of structural and institutional changes in the social sphere, increasing the salaries of employees in social sphere budget organizations, improving the financing of social sphere expenditures, the adoption and implementation of a number of government decisions aimed at the wider introduction of modern technologies of social sphere management, the education and health system The fact that the opinions of experts and citizens are taken into account for the adoption of the Concept of reform indicates that the social sector system is always in the attention of the state and government.

Materials. Investments that can directly improve a person's capacity are necessary for the formation of human capital and for the country's economy to grow. Spending more money in the two vital industries of education and health can help to form human capital. Because social networks are essential for the development of human capital, cutting back on their spending will not only result in higher state development spending but also fewer opportunities for this development, which will slow the rate of economic growth.

The growth of "human capital" as a result of funding the social sphere in scientific research efforts was researched separately by economist D.A. Rakhmanov. The following conclusions are reached after conducting a correlative analysis of the development trends of state budget expenditures. "A triangle of mutual dependence has emerged in the three aforementioned directions of expenses, and it can be noted that the relationship between the state budget and the relationship between the state budget and the relationship between the social sector and the health care costs is very close to one another, which justifies the high dispersion of dependence."¹

¹Рахмонов Д.А. Ўзбекистонда ижтимоий соҳани молиялаштиришнинг назарий методологик асослари. www.interfinance.uz. «Халқаро молия ва ҳисоб» электрон журнали. -Тошкент. 2017. -№5. октябр.

"The criteria for evaluating and regulating the development of the social sphere determine its main tasks, including the development of human capital, stimulation of economic activity, and ensuring social stability in society; development of educational institutions and improvement of educational infrastructure serves as the main direction in solving these tasks; medical institutions are also an important part of the market economy and are closely connected with people's health.²

Methodology. The construction of human capital was studied using a systematic approach, comparative and comparative analysis, and grouping techniques. The research process focused on the development of the social sphere system.

Results.

The theoretical underpinnings of the widely accepted research on the potential beneficial effects of government spending on economic growth are endogenous economic growth models. Understanding the broad drivers of economic development as well as its connection to public spending requires investigations into the effects of increased investments in human capital within the confines of endogenous economic growth theory.

The theoretical framework developed by Hanushek and Woessman³ in 2008 identifies two key ways in which education influences economic growth. The first benefit of education is an increase in human capital within the work force, which boosts labor productivity and facilitates the shift to a higher level of production equilibrium. Second, according to endogenous growth theories, education boosts the economy's capacity for innovation, fosters the development of new technologies, boosts production productivity, and promotes national economic development.

According to Auty's⁴ idea, more than two-thirds of revenue in developing nations is made up of human capital, which is represented by the labor force's skills and knowledge. The World Bank claims that human capital—rather than natural or physical capital—has the biggest effect on income. Thus, the increase of education, which produces human capital, is crucial to economic progress. Due to a number of conceptual and methodological issues in measuring education and economic growth, the relationship between education and growth in the economy is still debatable

Using panel data from sixteen West African countries for the years 1980 to 2013 using a Diff-GMM dynamic panel model, Lavanson⁵ conducted an empirical investigation of the relationship between human capital, education, and health, as well as economic growth, in 2015. The high correlation between human capital and economic growth in West Africa is supported by his findings, which demonstrate that the education and health quotients have a positive statistically significant effect on GDP per capita. The 2015 study by Mussagy and Babatunde⁶ used quarterly data using the Engle-Granger Cointegration model to examine the relationship between public education spending and economic growth in Mozambique between 1996 and 2012. They discovered that Mozambique spends relatively little on public education. They demonstrated that over the previous 15 years, the state budget's funding for education never exceeded 20.0 percent. Their Engle-Granger Cointegration test and error correction models' findings supported the notion that economic growth and public spending in Mozambique have a long-term relationship.

²Иваницкий В.П., Пешина Э.В. Финансирование социально ориентированных затрат в воспроизводстве человека. – Екатеринбург. Академкнига. 2001. – С.280.

2.1 ³ Hanushek, Eric A. and Ludger Woessmann (2008) "The Role of Cognitive Skills in Economic Development". *Journal of Economic Literature*, 46:3, 607– 668.

2.1 ⁴ Auty, Richard M. (2001) "Resource Abundance and Economic Development". Oxford: Oxford University Press.

2.1 ⁵ Lawanson, Akanni Olayinka (2015) "Economic Growth Experience of West African Region: Does Human Capital Matter?" *International Journal of Business and Social Science*, Vol. 6, No. 12; December.

2.1 ⁶ Mussagy, Ibraimo Hassane and Musibau Adetunji Babatunde (2015) "Government spending on education and economic growth in Mozambique: A cointegration approach". *Revista Electrónica de Investigación e Desenvolvimento*, Nº 5, Dezembro de.

In 2018, Babatunde⁷ conducted research on the effects of public health and education spending on Nigeria's economic growth. He employed primary and secondary statistical data from the time span 1980–2016 in his scientific research. Babatunde⁸ used the Augmented Dickey-Fuller and Phillip-Perron econometric tests to analyze the Engle-Granger Cointegration model. According to his research, economic growth is significantly influenced by health and education. In conclusion, a number of studies back the 1992 assertion made by Mankiw Romer and Veillar that "education is essential for economic growth for a country or region."

Discussion. A.I. Merco⁹ views information, knowledge, trust, ideas, and other components of social support as human capital. Organizational and structural capital are the two types of human capital that A.I. Merko identifies. This categorization of types of human capital enables consideration and assessment of individual human capital (micro level), individual enterprise or group of enterprises (meso level), and the state as a whole.

"In the economic literature, it can be seen that the concept of "human capital" is given in broad and narrow meanings. Taking this into account, in a narrow sense "human capital is undoubtedly an important factor of modern economic growth and a priority direction of economic and social policy"¹⁰. Among the important factors influencing the formation of human capital are the service sectors - education and health care systems. Therefore, the state support of this sector means the attention paid to the social sector and the conditions created for economic growth. The development of the economy and human capital are related. Economic growth is influenced by the effectiveness of investments in human capital, and as a result of this investment effectiveness, the economy is developed by increasing citizens' knowledge and skills.¹¹

In 1993, Otani and Villanueva conducted research on the factors that influence long-term growth in developing nations¹². The researchers used time series data from 1970 to 1985 to examine 55 developing nations. It has been discovered that investments in human capital, such as those made in health, education, and vocational training, increase a nation's per capita income. Accordingly, they claim that countries that invest more in education experience higher economic growth, and that the development of human capital can raise the growth rate of developing nations by an average of 1.0 percent annually.

Economist D.A.Rakhmonov believes that "funding of the social sphere is reflected as a whole complex that has a primary impact on the development of the national economy."¹³. "Social investment costs are mainly directed to medical and educational services. The higher the well-being of the people, the stronger the sociality of the economy"¹⁴. Three interrelated components can be distinguished in the development of a socially sustainable economy:

- ✓ to achieve social stability and increase well-being in the society;
- ✓ improving the quality of "human capital" and accumulating human capital;
- ✓ improvement of the structure of social capital.

2.1 ⁷ Babatunde, Shakirat Adepeju (2018) "Government spending on infrastructure and economic growth in Nigeria", *Economic Research-Ekonomiska Istraživanja*, 31:1, 997-1014, DOI: 10.1080/1331677X.2018.1436453

2.1 ⁸ Mankiw, N. G., D. Romer, and D. N. Weil. (1992) "A Contribution to the Empirics of Economic Growth". *Quarterly Journal of Economics* 107(May): 407-437.

2.1 ⁹ Мерко А.И. Социально-ответственный бизнес—взаимосвязь государственной и корпоративной политики в глобализирующемся мире. Монография. — М., 2009. - С.180.

2.1 ¹⁰ Май В.А. Человеческий капитал: вызовы для России. // Вопросы экономики. 2012 йил. № 7. —С.114.

¹¹ Бутаев Ж. Инсон капиталига инвестициялар тахлили ва унинг ахамияти. www.interfinance.uz. // "Халқаро молия ва ҳисоб" электрон журнали. -Тошкент. 2020. -№5. октябр.

2.1 ¹² Otani, I. and Villanueva, D. (1993) "Long Term Growth in Developing Countries and Its Determinants an Empirical Analysis". *World Development Issue*, Volume 18, Issue 6, pages 769-783.

¹³ Рахмонов Д.А. Ўзбекистонда ижтимоий соҳани молиялаштиришнинг назарий методологик асослари. www.interfinance.uz. // "Халқаро молия ва ҳисоб" электрон журнали. -Тошкент. 2017. -№5. октябр.

¹⁴ Касимова Г. Концепция социальной политики и государственное регулирования процесса формирования «человеческого капитала». // Вопросы экономических наук. 2008. №3(31). —С.72-73.

"In today's environment, when education is valued as the most unique capital in the world, at all stages of education, by introducing a mechanism to improve the effectiveness of the evaluation of educational results and the methods of financing the system, an opportunity will be created for all people to receive quality education throughout their lives"¹⁵.

Conclusion.

Social services, a significant element of the social sphere, work to advance cultural level, health, and human development. In social networks, the education and healthcare systems hold a special place. One of the key elements in the state's development is the advancement of science, education, and health care. The state raises funds for social purposes as a result. The population's need for social services that are guaranteed will not be fully met if the social sphere's material and technical foundation is not improved and the organizations and institutions that receive budget funding for their operations are not adequately funded.

The use of intellectual potential that is underdeveloped in national economies of countries results in a reduction in the rate of economic growth under the conditions of the knowledge-based economy. This shows that it is crucial to utilize the intellectual potential of educated and highly qualified individuals as a factor of the nation's economic development, specifically in the context of diminishing raw material reserves, which can be accomplished through the sustainable development of the education system.

Due to technological advancements and increased global competition, many people must acquire new knowledge and skills. In this way, we must comprehend that education spending can be significant while also serving as a social sector that boosts the nation's income and economic development. It is established that the following variables affect the rate of economic growth:

- investing in human capital development (education, healthcare).;
- protection of intellectual property rights on the basis of competition;
- state support for the development of science and information technologies;
- creation of investment environment and adoption of new technologies.

In Uzbekistan, family investments in human capital are crucial because the development and growth of human capital is directly related to how much money a family spends on its children. The foundation for the continued growth and enhancement of human capital is laid by an individual's collective intellectual capacities.

References.

1. Аганбегян А.Г. Человеческий капитал и его главная составляющая – сфера “экономики знаний” как основной источник социально-экономического роста. // Экономические стратегии. –М.: 2017. №3. –С.68.
2. Auty, Richard M. (2001) “Resource Abundance and Economic Development”. Oxford: Oxford University Press.
3. Babatunde, Shakirat Adepeju (2018) “Government spending on infrastructure and economic growth in Nigeria”, Economic Research-Ekonomiska Istraživanja, 31:1, 997-1014, DOI: 10.1080/1331677X.2018.1436453.
4. Бутаев Ж. Инсон капиталига инвестициялар таҳлили ва унинг аҳамияти. www.interfinance.uz. \ “Халқаро молия ва ҳисоб” электрон журналі. -Тошкент. 2020. -№5. октябр.
5. World Bank (2013) “Investing in Higher Education Across West Africa”.

¹⁵ Incheon Declaration Education 2030: Towards inclusive and equitable quality education and lifelong learning for all (Word Education Forum. 2015. 19-22 may. Incheon. Republic of Korea).

6. Иваницкий В.П., Пешина Э.В. Финансирование социально ориентированных затрат в воспроизводстве человека. – Екатеринбург. Академкнига. 2001. – С.280.
7. Incheon Declaration Education 2030: Towards inclusive and equitable quality education and lifelong learning for all (Word Education Forum. 2015. 19-22 may. Incheon. Republic of Korea).
8. Касимова Г. Концепция социальной политики и государственное регулирования процесса формирования «человеческого капитала». // Вопросы экономических наук. 2008. №3(31). – С.72-73.
9. Касимова Г.А., Ботиров А.А. Ижтимоий соҳа: бошқариш ва молиялаштириш. Монография. Тошкент. Тамаддун. 2016. 216 б.
10. Lawanson, Akanni Olayinka (2015) “Economic Growth Experience of West African Region: Does Human Capital Matter?” International Journal of Business and Social Science, Vol. 6, No. 12; December.
11. Май В.А. Человеческий капитал: вызовы для России. // Вопросы экономики. 2012 йил. № 7. –С.114.
12. Mankiw, N. G., D. Romer, and D. N. Weil. (1992) “A Contribution to the Empirics of Economic Growth”. Quarterly Journal of Economics 107(May): 407-437.
13. Мерко А.И. Социально-ответственный бизнес–взаимосвязь государственной и корпоративной политики в глобализирующемся мире. Монография. – М., 2009. - С.180.
14. Otani, I. and Villanueva, D. (1993) “Long Term Growth in Developing Countries and Its Determinants an Empirical Analysis”. World Development Issue, Volume 18, Issue 6, pages 769-783.
15. Рахмонов Д.А. Ўзбекистонда ижтимоий соҳани молиялаштиришнинг назарий методологик асослари. www.interfinance.uz. // «Халқаро молия ва ҳисоб» электрон журнали. -Тошкент. 2017. -№5. октябр.
16. Рустамова Д.Д. Инсон капиталига инвестициялар ва уларнинг хусусиятлари. // Молия. 2014 йил. № 7 –Б.34- 36.
17. Hanushek, Eric A. and Ludger Woessmann (2008) “The Role of Cognitive Skills in Economic Development”. Journal of Economic Literature, 46:3, 607– 668.