

INTELLECTUAL POTENTIAL OF HUMAN CAPITAL

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Abstract

Reforms are being implemented in Uzbekistan to develop the rule of law and human capital, to build a fair and strong civil society, and to further improve the living conditions of the population. In this article, the development of human capital - intellectual ability is one of the urgent issues of today and the need to strengthen its regulatory and legal foundations.

Keywords: Human capital, laws, orders, the President of the Republic of Uzbekistan, intellectual, intellectual capital.

Introduction

The education system is an important element of the national economy. This situation necessitates the study of the laws of its formation and functioning. The essence of the education system is reflected in its functions. Also, it is in the education system that knowledge is exchanged in the form of education. This type of market directly participates in the formation of the skills or qualities of human capital and ensures its efficiency. Therefore, the role of the education system in the national economy is important.

Foreign economic experience applied in local practice shows that the competitiveness of an organization increasingly depends on the literacy of its financial, raw material and material resources. For this reason, the increase in the demand for qualified personnel by enterprises is considered a key condition not only for economic growth, but also for survival in the market. Large investments are required to qualitatively transform the country's economy, ensure competitiveness, adaptability, and subsequent economic growth. [12]

With the gradual development of the innovative economy in the country, the increase in the income of the population, and the increasing role of the education system in human life, private educational institutions that can meet the demands of the times are gradually being established in the country along with state educational institutions.

This situation once again confirms that human capital is being widely used in the field of education in our country from year to year. In this regard, it is necessary to pay attention to the origins of the restoration of human capital and its contribution to the development of education. Initially, human capital was understood only as a set of investments that increase a person's labor capacity, education and professional skills.

In the near future, the concept of human capital will expand significantly. Educational capital is a combination of general educational and professional qualifications of a person. This



combination includes general and professional knowledge, skills acquired in educational institutions and at work, as well as people's professional qualities and abilities. This, in turn, must be strengthened and regulated by law, as each sector develops. For example, the Republic of Uzbekistan has a Constitution that defines the economic, social, cultural and environmental rights of the population. In addition, the legal basis for the formation and development of a continuous education system in our republic has been created - the Law "On the Framework of Education", the National Program for Personnel Training and the State National Program for the Development of School Education have been adopted[2]. In the process of implementing the program, curricula at all levels of education have been revised and brought into line with modern international requirements. The Law "On Education" declares education as a priority area of social development of the Republic of Uzbekistan, the main factor of national wealth in the development of human capital of our country. The right to education is ensured by: developing state and non-state educational institutions; organizing uninterrupted and uninterrupted education; Free education under state education and personnel training programs, as well as paid vocational training in educational institutions on a contractual basis. Graduates of all types of educational institutions have equal rights to enter educational institutions of the next level. Education is implemented in the following forms: preschool education, general secondary education, primary vocational education, secondary vocational education, secondary specialized vocational education and higher education. Post-university education includes: advanced training and retraining of personnel, and out-of-school education. In order to firmly organize this system of continuing education, a solid legal basis must be created.

Analysis of relevant literature.

Today, various research works are being conducted for the development of human capital. A number of scientists have expressed different opinions on human capital and its development, investments for its development, and its legal basis. According to the American scientist Theodore Schultz, the 1979 Nobel Prize laureate, who conducted the first research in this regard, capital in the traditional holistic sense should be divided into two parts: physical capital and human capital[8]. T. Schultz's human capital theory is based on several results, the most important aspects of which can be summarized as follows (Figure 1):

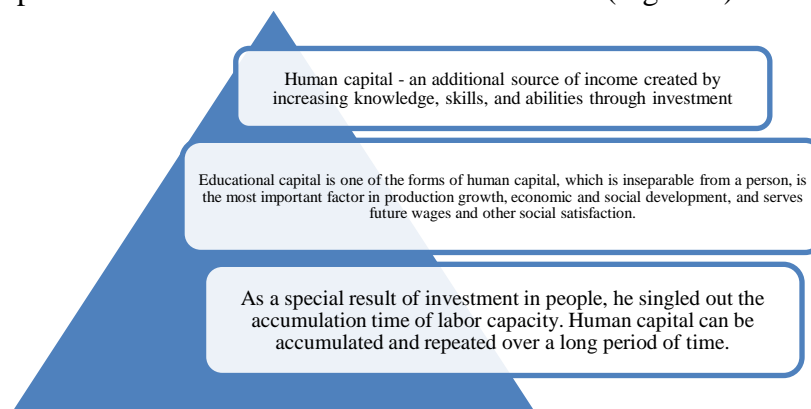


Figure 1. Theodore Schultz's human capital theory.

Source: Becker G. The Economic View of Life. Lecture by the Nobel Laureate in Economic Sciences for 1992.



Gary Becker clarified and expanded T. Schultz's concept of human capital, which is formed through investment in people, by introducing two other aspects in addition to education:

- on-the-job training;
- search for information about prices and incomes[9].

He emphasized that investments aimed at these goals serve to increase the productive capacity, intellectual and cultural potential of a person. He also believed that investments in human capital are measured in monetary units and are determined by the amount of investment in food, health care and others.[10] In addition, he was the first to distinguish and explain the content of three main types of human capital or knowledge. [11]

1. General human capital
2. Specific human capital
3. Other human capital

Long-term research by Western scientists in this area has also aroused interest and began to be studied by scientists from other countries. Russian scientists L.S. Tarasevich and A.I. Dobrynin describe the laws and essence of the formation of the category of human capital as follows: "Human capital is a stock of knowledge, health, culture, skills, abilities and motivations that are formed as a result of innovations and accumulated by an individual, used for a specific purpose in a specific area of social reproduction, contributing to the growth of labor productivity, leading to an increase in production efficiency and, thereby, an increase in the income of this individual." [12]

This article describes the fact that the development of human capital - intellectual abilities - is one of the pressing issues of today and the need to strengthen its regulatory and legal framework. The Constitution of the Republic of Uzbekistan, the "Law on Education" and a number of resolutions, orders, and reports of the President of the Republic of Uzbekistan were widely used.

Chapter IX of the Constitution of the Republic of Uzbekistan defines the criteria for the economic, social, cultural and environmental rights of the population, which includes Articles 41-53. These are certainly proof of how much human capital is a necessary resource for the state[1]. We can base this on the adoption of the Law of the Republic of Uzbekistan No. LRU-637 "On Education"[2] dated September 23, 2020. This law also consists of 11 chapters and 75 articles, which mainly cover the basic concepts of the field of education, the principles of education, the content of the education system, types and forms, the management of the education system, the procedure for organizing and implementing educational activities, the legal status of pedagogical employees of educational organizations, the rights and obligations of students and their parents and other legal representatives, social protection of participants in the educational process, non-state education. The issues of licensing the activities of organizations, certification and accreditation of educational organizations, recognition of documents on education obtained in a foreign country, apostille of documents in the field of education, the procedure for financing and state support of education, international cooperation in the field of education, and liability for violation of legislation on education are explained. Chapter 9 of this law is specifically aimed at financing and state support of education, and in



accordance with it, financing of state educational institutions is carried out at the expense of the following sources:

- From the republican budget of the Republic of Uzbekistan;
- From the budget of the Republic of Karakalpakstan, from the local budgets of the regions and the city of Tashkent;
- From the budgets of districts and cities;
- From the funds of personnel orders;
- Extrabudgetary funds and other sources not prohibited by law.

Also, local economist N. Ruzibayeva conducted research on investments in human capital. N. Ruzibayeva in her research stated: “The development of the main directions of innovative development should be more fully adapted to human interests. These interests should be reflected both in payments and in stimulating labor motivation. At this stage, the quality level of human capital determines the dynamics of the development of the economic and social life of modern society. That is why in developed countries, investments in human capital are growing much faster than in natural and industrial capital”[13].

Research Methodology

In the process of researching the article, economic research methods such as comparative analysis of regulatory and legal documents necessary for the development of human capital and the study of research conducted on the development of intellectual capital, data collection, analysis of the collected information, synthesis, and logical reasoning were widely used.

Analysis and Discussion of Results

In recent years, Uzbekistan has been implementing large-scale reforms aimed at developing the rule of law and human capital, building a just and strong civil society, and further improving the living conditions of its population. “The goal of the new Uzbekistan strategy is to ensure that our country takes its place among the most developed, steadily growing and highly human capital-rich democratic states in the world, where happy and well-off people live in prosperity, where the principles of social justice are fully established. To this end, it is necessary to create a decent standard of living and living conditions for all segments of the population, improve the efficiency of the social protection system, achieve stable growth in employment and incomes, and develop a general culture of society, tolerance and we consider it our duty to further strengthen our noble and meritorious work on further enhancing the virtues of kindness”[3]. Therefore, in ensuring that the new Uzbekistan takes its place among democratic states with high human capital, it is of great importance to develop a national model of human capital development and study the socio-economic characteristics of factors influencing the stable development of human capital.

It is known that in order to ensure the development of human capital, as well as to manage and regulate it, the primacy of the law is required, and a number of regulatory and legal foundations are necessary for this. The most basic of these is, undoubtedly, the Constitution, which is the basis of laws and is considered the father of all laws, decrees, resolutions and codes that have been put into practice. Indeed, the Constitution of the Republic of Uzbekistan, adopted by



popular vote in the referendum of the Republic of Uzbekistan held on April 30, 2023, in this new edition, Chapter IX of our Constitution establishes the criteria for the economic, social, cultural and environmental rights of the population. Article 42 of this chapter establishes the minimum wage, taking into account the need to ensure a decent standard of living for a person, and prohibits the refusal to employ, dismiss, and reduce the wages of women on the grounds of pregnancy or having a child. Article 43 of this chapter stipulates that measures should be taken to reduce poverty, which is a global problem in the world, and that the state should ensure the organization and promotion of professional training and retraining of citizens. Article 48 of the Constitution, which establishes the right of every citizen of the Republic of Uzbekistan to the preservation of human health and the use of qualified medical services, the right to receive the amount of medical care at state expense in the manner established by law, and, in addition, the state shall create appropriate conditions for the development of physical education and sports, and the formation of a healthy lifestyle among the population[1].

The level and quality of education are essential for both the state and its citizens. It is an indicator of the quality of human capital and an important factor in ensuring economic growth. Articles 50 to 53 of our Constitution [1] stipulate the coverage of every citizen of the state with quality education, free education for the population, continuity of education, its various types and forms, ensuring the development of state and non-state educational organizations, as well as the development of pre-school education and upbringing, secondary education and initial vocational education, and the provision of citizens with higher education. This is, without any exaggeration, an important basis for the intellectual development of human capital.

In the process of reforming the current education system, our country has reached the level of developed countries in many respects. However, problems associated with preparing young people for the profession remain. Therefore, solving the problem of improving the quality of personnel training for the development of human capital has been identified as one of the priority areas of socio-economic development of our country. Of course, it is important to develop the necessary normative documents to regulate the activities of each of these types of education.

It is worth noting that now, to a certain extent, the quality of education around the world is declining. This is becoming a global problem in countries with different levels of development. The existing shortcomings are most clearly manifested in vocational education, especially in higher education institutions. Higher education institutions are in a leading position in the development of the country. Because it is higher education institutions that provide the main specialists for the country. "Although the main part of the expenses of higher education institutions is financed from their own funds (the main part is formed from the contract funds of students studying on the basis of a payment agreement), since higher education institutions are considered budgetary organizations, it is necessary to provide a legal basis for the correct and effective use of these funds." [13] Based on the new conditions, the Law of the Republic of Uzbekistan "On Education" on "Strategy of Actions for the Further Development of the Republic of Uzbekistan" for 2017-2021, the Resolution of the President of the Republic of Uzbekistan "On measures to further improve the system of training pedagogical personnel, retraining public education workers and improving their qualifications", ensuring the



continuity and consistency of educational stages, creating a modern methodology of education, and implementing state educational standards Improvement based on a competency-based approach requires the development and implementation of a new generation of educational methodological packages, as well as further improvement of the system of retraining and professional development of teaching staff[4].

Today, the competitiveness of any state in the world market depends not only on the availability of natural resources, but also, first of all, on high-quality, creative human capital capable of creating and mastering modern, regularly updated technologies. Intellectually competent human capital is necessary for the organization of the state's work based on science and technology.

The Decree of the President of the Republic of Uzbekistan Sh.M. Mirziyoyev "On Approval of the Strategy for Innovative Development of the Republic of Uzbekistan for 2019-2021" envisages the state's transition to an innovative development path and an innovative economy and sets out priority tasks in this regard. The development of human capital as a key factor ensuring the country's innovative development and increasing its competitiveness on the world stage is indicated as the main goal of this strategy[5].

It is no coincidence that the 4th direction of the new development strategy of Uzbekistan for 2022-2026 is called "Implementing a fair social policy, developing human capital." [6] According to this strategy, every citizen should have the opportunity to study for a specific profession at the expense of the state; The goal was set to double the volume of vocational training, train a total of 1 million unemployed citizens in professions, and increase the participation of non-state educational institutions in this process to 30 percent. Human capital is an integral part of intellectual capital, a set of knowledge, skills and abilities of employees, and indeed, human capital within the state is reflected in the intellectual determination, intellectual entrepreneurship, and intellectual intelligence of each citizen. It is impossible to achieve innovative development without developing human capital. In order for a country to achieve economic development, it is necessary to cultivate talents. Currently, the population of our country is on an upward trend. By June 2023, the population reached 36.4 million people[14]. Prominent economists emphasize that neglect of investment in human capital can lead to a sharp decline in the country's competitiveness. While in 2018, the share of social expenditures in total budget expenditures was 53.8%, in 2022 this figure was 49.0%. By 2024, it is planned to allocate 151,504 billion soums to social expenditures, which in turn will constitute 48.4% of total state budget expenditures. As in previous years, the majority of social spending is expected to be spent on the education system (46%) (Table 1).



Table 1. The share of education expenditures in the social sector of the state budget of the Republic of Uzbekistan (billion soums)

№	Indicators	2018	2019	2020-	2021	2022	2023	2024
1	Total state budget expenditures	79736	118009	144142,7	165879	214799,6	257734	312921
2	Social expenses	42883	63542	74 231,8	86622	105199,5	129891	151 504
3	Education expenses	20632	33536	29961,1	34590	46713,8	58372	69076,20

Source: author's development

In particular, the financing of general education institutions constitutes the largest share of the expenditure allocated to the education system, followed by the expenditure allocated to pre-school education and higher education (Figure 2). From this diagram, we can see that each year has a tendency to increase compared to the next year.

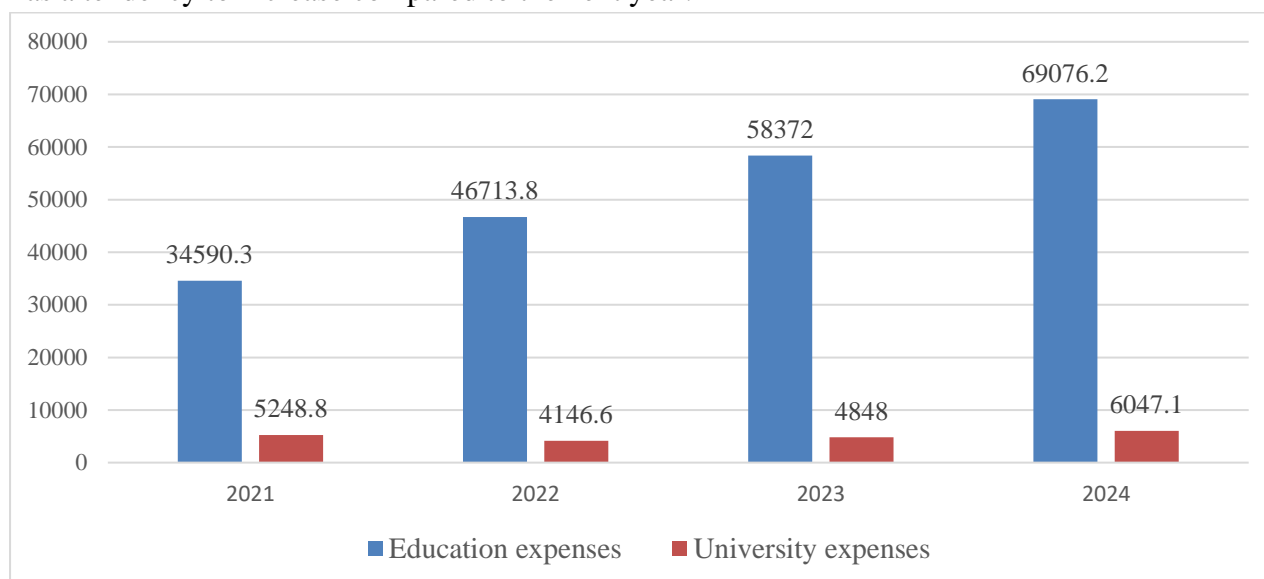


Figure 2. Expenditures on financing higher education from the state budget in 2021-2024, billion soums.

Source: author's development

The higher the level of education, the more qualified employees will be employed in the national economy, and the more economic growth will be achieved. The education sector is considered an opportunity to develop intellectual human capital and achieve economic prosperity. "It can be seen that a 1% increase in government spending on education in countries around the world has reduced poverty by 0.03%. Factors such as an increase in GDP, an increase in trade and gross capital formation, and a decrease in the inflation rate in a country are inversely related to the level of poverty." [12] In 2020, the world's education spending across countries It can be seen that the average share of expenditure in GDP is 4.11%, while in Uzbekistan it is 4.9%. [12] The development strategy of the new Uzbekistan pays special

attention to allocating funds from the state budget to develop human capital and improve the quality of education, ensuring that all members of society have access to all levels of educational services. In our country, in the coming years 2023-2025, a total of 140.3 trillion soums are planned from the state budget for the costs of strengthening the current and material and technical base of the education sector, of which 43.6 trillion soums in 2023, 46.7 trillion soums in 2024, and 50 trillion soums in 2025. [7].

The number of human resources in Uzbekistan is changing over time. Currently, the total number of the labor force is about 68% of the total working-age population. In order to ensure decent and formal employment of the population, the “Strategy of the Republic of Uzbekistan for Supporting Population Employment in 2021-2030” has been developed. The targets and indicators to be achieved as a result of the implementation of this strategy will contribute to sustainable and inclusive economic growth based on increasing employment with productive and decent work, as well as national goals and objectives in the field of sustainable development for the period up to 2030 (Figure 3).

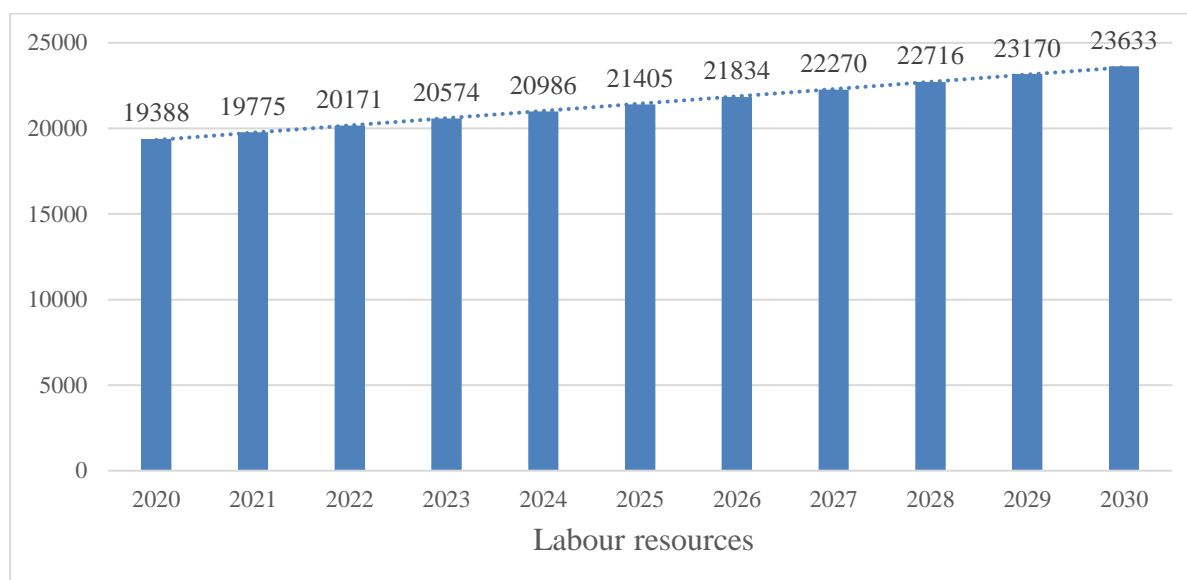


Figure 3. Forecast of labor resources in 2020-2030

Source: author's development

Conclusion and Suggestions

Human capital does not emerge on its own, it must be developed by the state. In conclusion, we can assess the level of human capital in several ways, traditionally, economists calculate it by the income of people with more education. Research has shown that each additional year of education increases a person's income by an average of 10%. Investments in education also reduce social inequality in society.

Investment in education is not only a specific strategy for national development, but also a social policy aimed at improving human capital and socio-economic development prospects. As a result, human capital is formed and improved, and material well-being and a healthy lifestyle are achieved.



By recognizing the value of people and actively investing in their development, societies can create a more prosperous and just future. Also, for their development, it is necessary to rationally and effectively distribute not only financial, but also other types of resources.

Intellectual ability is the wealth of not only a person, but also the country in which this person lives. Therefore, by developing the intellectual ability of each citizen, we prepare human capital, that is, qualified, creative personnel.

In particular, along with investments in human capital, first of all, they need legal documents that correctly and clearly direct and regulate them. In our opinion, it is possible to increase the effectiveness of investments in this area by properly organizing the re-establishment of relations with the help of modern educational tools and methods. Of course, in the conditions of an innovative economy, the direction of investments in science, research and development will benefit the country for many years to come.

Today, there is increased attention to the higher education system, which is certainly good, but we must also mention this painful point - there are still not enough schools in our country. The foundation of human capital begins with the family and school. Therefore, we need to further increase and develop schools and preschool educational institutions.

Of course, we have enough regulatory and legal documents in this regard, but these laws have not yet been properly mechanized.

Private and non-state preschool educational institutions and schools cannot develop only through the investment of the founder, therefore, in our opinion, the state should allocate investments from the budget to these institutions. After all, human capital cannot develop without state investment!

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