

The impact of stimulating the development of Human Capital on Economic Development

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Abstract

Human capital is a significant ingredient of economic development. Today, the concepts of human capital have been defined as the knowledge, skill, creativity, and health of the individual. The long-run impact of human capital on the current innovation and economic development is still a question. Therefore, the interest in research to explore the contribution of human capital in economic growth increased. The production and processing of knowledge are directly related to scientific and healthy workflow. Educated and healthy people are one of the most critical factors in the models, namely the power of human capital, the development of the economy. In this study, the author uses a qualitative methodology. The investigation shows that the most crucial difference between developed and underdeveloped countries is the level of economic development. The biggest obstacle to the development of underdeveloped countries is low education level, lack of health conditions and brain drain. These factors prevent the accumulation of human capital in underdeveloped countries and cause waste of resources in the country. Considering these factors, the primary purpose of the study is to study the impact of human capital development on economic development in Azerbaijan.

Keywords: Human capital, economic development, sustainable economic development, human capital index, knowledge economy, education

1 Introduction

In the contemporary world, human capital is undoubtedly considered one of the main factors affecting the sustainable economic development of each country. The rapid development of human capital has particular importance for countries like, which aims to form a competitive structure for its economy to meet requirements of today's global competition and bring the welfare of society to high standards of living.

Human capital is an economic value that embodies people's competency, knowledge, skills, social and other qualities. Human capital development benefits a country directly and indirectly. The direct way is when people are educated, healthy and self-confident, while the indirect way is through economic development, the labor market, international economic relations and so on. In the middle of the last century, the idea of having "more territory" in international politics was replaced by the idea of having "better and better quality human capital" Human capital was originally defined as '[...] *knowledge, skills, attitudes, aptitudes, and other acquired traits contributing to production*'. This definition is broader than just educational attainment, as it includes any productive skills or capabilities of individuals, not just those that are formally taught (Muhammad Ali, et.al.,2018)

Human capital plays as the primary factor for the investment abroad implying that venture capital is a strict process of establishing the perimeter for choosing the right criteria for investments and what will include into it (Vahid Jafari-Sadeghi, et.al., 2018).

The human capital assumes the prevailing special weight in the structure of commonwealth. Human capital wealth is defined as the labour force. In other words, human capital wealth is an asset that generates a stream of future economic benefits (earnings) (Adalat Muradov et.al., 2019).

Human capital is the sum of investments in knowledge and skills that can benefit an individual's future activities (Zeynalli.L.V, 2017).

Nowadays, effective functioning of the economy in a nation is directly related to human capital development. A concept of human capital includes the elements of human knowledge, skills, ability and health. Emergence of the human capital concept has brought about the concept of knowledge economy. Knowledge economy is considered an advanced stage of high-tech and innovation-driven economy. The experience of developed countries shows that the main factor behind today's economic achievements is not just natural resources, but innovations based on human knowledge and abilities. Theoretical and practical propositions of representatives of institutional, neoclassical, neo-Keynesian and other economic schools are based on development of the human capital concept. T.Schultz, G.Becker, S.Kuznets, E.Denison, R.Slow, C.Kendrick, S.Fabrikant, I.Fisher, R.Lukas and many well-known economists put a lot of effort to develop this concept. G.Becker has rendered great services in developing human capital theory, and defined human capital as the source of knowledge, skills and motivations.(Капелюшников П.И, 1993)

Human capital, as viewed by economists, involves a process of investment that enhances human labor productivity by means of advances in knowledge and its applications. It specifically involves investment expenditures on education, training, health, nutrition, and related factors that increase the productivity of the labor force. Nobel Laureate T. W. Schultz was one of the first economists to identify the deficiency of the standard neoclassical production function in neglecting the critical role of

human capital. (Schultz.T, 1956) T. Schultz, another figure known for his human capital theory, suggests that human capital encapsulates a combination of knowledge, skills, relationships and professionalism that humans can fully realize and avail of resources existent in society. They are related to intelligence, health, knowledge, quality work and quality of life. (Schultz.T, 1968) He attributed to investments in human capital not only direct expenditures on education in secondary and higher education institutions, but also self-learning, work experience as well as expenditures on health, education and science. T. Schultz paid attention to education than display of other forms of human abilities and therefore called for studying this phenomenon in the context of form and sources of human capital. (Schultz.T, 1964)

Nowadays, the content of human capital concept is formed by a set of knowledge, skills, habits and abilities that are used to meet various needs of an individual and society. Thus, S. Fischer, R. Dornbusch and R. Shmalenzi consider human capital as a measure of human ability to earn income (S. Fisher, et.al.,1998).

The United Nations Development Program defines human capital as a set of individual qualities, such as skills, knowledge, social attributes as well as creative imagination, capable of performing labor activity to create economic value (Müəlliflik hüququ BMT-nin İnkişaf Proqramı, 2013).

Thus, human capital is an intense productive factor for development of society and the economy. It implies to creative professionals, intelligence, knowledge, quality and higher labour productivity as well as high quality of well-being. The bearers of human capital are people who remain competitive (or able to meet competition) with their mental, psychological, intellectual, cultural, creative and professional abilities as well as high quality of life.

The factors forming human capital are as follows:

- Knowledge;
- Skills;
- Competences;
- Creativity (abilities);
- Health;
- Ethics (norms of cultural behavior and system of values);
- Level of well-being.

These factors form human creative energy. Use of human creative energy for personal interests (benefits) as well as the benefit of society depends on the existing environment. In other words, every human being can be competent and creative, but use of creative energy, whether positively or negatively, is directly dependent on working environment, incentives in society and opportunities available around.

Formation of human capital in a nation assumes to ensure that every citizen has adequate knowledge, skills, competence, health and all other necessary qualities. Meanwhile, human capital on the national level is perceived as competitive and highly productive knowledge accumulated in all areas of society and economy, innovation system, intellectual capital and innovation technologies, creative and innovative labor resources as well as quality of well-being in society. They all together ensure competitive edge for a nation and its economy in international arena.

Human capital on the national level is formed by means of investments in upbringing, education, culture, health care and safety, professional development, science, knowledge and intellectual growth, entrepreneurial skills, innovations and enhancing quality of human well-being. (Becker G.S, 1962)

Development of human capital is conditioned as follows:

- attainment of required knowledge, skills, competence and creative abilities is dependent on quality, accessibility, continuity and target-oriented nature of education in a nation;
- state of health and labour ability hinges on quality and accessibility of country's health care system;
- ethics or behavioral culture depend on outlook and system of values that are largely and systematically promoted in the country

According to studies conducted by the World Bank, 16 percent of today's economic growth in the world comes from physical capital, 20 percent from natural resources and 64 percent from human capital. According to studies conducted in Western countries, returns on investments in human capital are two times greater than other types of investment in developed countries. (Maryam Ebrahimi, 2020) This fact explicitly shows the role of human capital in the development of society. Nowadays, competition for quality human capital is heightened in the world and human capital is the cornerstone of the global innovation development. At present, human capital is the main component of national wealth and remains a major driving force for economic growth in the world. Achievements of scientific and technological progress, organization of labour and its cultural emergence and productivity depend on the quality of human capital. Human capital is country's most valuable wealth. Being healthy, educated and experienced contributes to the long-term development of an individual and society. Country's future is dependent on talent, skills, and professional experience of its population. Human capital is the economic value embodying competences, knowledge and skills, social and other qualities. (Müəlliflik hüququ BMT-nin İnkişaf Proqramı, 2013)

Human capital theory suggests that people want to be compensated for their human capital investments, assuming that people seek to maximize their economic benefits over their life-time. Accordingly, human capital theory was originally developed to explain variations in financial returns of employees. Applied to entrepreneurship this means that entrepreneurs strive to receive financial returns from their venturing activities relative to their human capital investments. Therefore, entrepreneurs' human capital should be positively associated with a preference for venture scale and growth (Unger, J. M., et.al.,2011)

In the developed countries capital investments in human capital are admitted as the most effective expenditures for society which quickly covering itself on account of returns. Human capital is considered as one of the factors strengthening the economic potential and the economic growth in generally. In this type of approach the development is not only measured through increasing the economic growth rate, but also through human capital investment and reduction of poverty (Becker G.S., 2009)

2 Literature review

2.1 Human capital and economic development

Human capital is a broad concept which identifies human characteristics which can be acquired, and which increase income. It is commonly taken to include peoples' knowledge and skills, acquired partly through education, but can also include their strength and vitality, which are dependent on their health and nutrition. Human capital theory focuses on health and education as inputs to economic production. This is in contrast to the concept of human development which views health and education as intrinsically valuable outcomes to be placed alongside economic production as measures of human welfare. (Simon Appleton & Francis Teal, et.al., 1998)

Robert E Lucas conducted a study "on the mechanics of economic development" and states that the factors behind the economic growth is the human capital accumulation rate, in which both the economic growth and human capital accumulation rate is proportional to each other since, human capital levies externalities on production. The economic growth rate is proportionally more than the increase in the accumulation rates of human capital, thus, constructing increasing return to scale. He further explains satisfactorily the rich countries growth but does not explain the poverty traps countries (Zia Ur Rehman, et.al., 2018).

The modern economy is the most knowledge based, therefore, the human capital based on knowledge and skills, is a leader of the national wealth. In order to develop the human capital from the "potential" state to the state of "the cost of creating added value", the state should have special programs and effective management system. Human capital is a cost that brings benefit (Mayis G. Gulaliyev, et.al, 2019).

Modern economists are of the view that natural resources play an important role in the economic development of a country. A country which has abundant natural resources is in a position to develop more rapidly than a country that is deficient in such resources. However, the presence of abundant resources is not a sufficient enough condition to explain all aspects of economic growth. Economies are created and managed by people. These people must be capable of performing the duties required to create such an economy. Matters of economic growth and decline hinge on the population. This is called human capital, and to truly understand the world, we must understand the role that populations play in an economy's growth or decline.

Human capital is the fundamental source of economic growth. It is a source of both increased productivity and technological advancement. In fact, the major difference between the developed and developing countries is the rate of progress in human capital. The underdeveloped countries need human capital to staff new and expanding government services to introduce new systems of land use and new methods of agriculture, to develop new means of communication to carry forward industrialization and to build the education system.

Since 2005, leading international organizations and a number of research centres have undertaken a number of serious investigations and prepared reports in order to increase attention to effective use of Azerbaijan's oil and gas revenues, diversification of the country's economy and human capital development.

The World Bank's document "Azerbaijan - Country Economic Memorandum: A New Silk Road – Export-led Diversification" describes the steps needed to develop human capital in the country. In the document, the World Bank

recommended that the government of Azerbaijan should pay more attention to issues such as deepening of reforms in the education and healthcare systems, greater investment in these areas, adaptation of the education system to labour market requirements and strengthening of social security and employment services. (World Bank, 2009)

The "Azerbaijan 2020: Look to the Future" Development Concept, approved by a decree of the President of the Republic of Azerbaijan dated 29 December 2012, stated that one of the most important challenges of our time was "to lay the foundation of transition from a traditional economy to a knowledge-based economy and prioritize appropriate human capital development, which is essential for it". Section 7 of the Concept was called "Human Capital Development and Establishing an Effective Social Security System". The document stated that "providing the population with quality health and education services in the field of human capital development is part of the Concept and access to these services for various social groups, including low-income families and poorer citizens, is a key strategic line." [2]

Another document reflecting the state policy in the field of human capital development is the Strategic Road Map on the national economic prospects of the Republic of Azerbaijan, which was approved by a decree of the President of the Republic of Azerbaijan dated 6 December 2016. One of the four strategic goals outlined in this document is related to human capital development: "As an integral part of the efforts to achieve competitive, inclusive and sustainable economic goals, the third goal is to accelerate human capital development." Accordingly, the third strategic goal in the document is to develop human capital. It emphasizes that, as an integral part of reforms in the field of economic transformation in Azerbaijan, comprehensive measures will be taken to ensure continuity in human capital development, raise labour productivity and increase the role of knowledge in economic development. [4]

The Strategic Road Map on Vocational Education and Training Development in the Republic of Azerbaijan was approved by a decree of the President of the Republic of Azerbaijan dated 6 December 2016. Despite the emphasis on human capital development in both key strategic documents, their approaches and targets for human capital development are quite different. If the Development Concept focuses on 5 aspects of human capital development, the Strategic Road Map focuses exclusively on improving education, as well as stimulating investment in research and development.

3 Methodology of research

Human capital, innovation and economic development are rather large and vague ideas whose measurement has to be specified in greater detail. The human capital data used in this study come from different sources.

Starting in 2005, Azerbaijan has generated large oil revenues. According to the data of the State Oil Fund of the Republic of Azerbaijan covering the period of 2000- 2017, the Fund received a total of \$138.1 billion, of which \$102.3 billion (or 74.0%) was funneled to various projects related to the country's economic development (both through the state budget and funded directly by the Fund). During this period, the state budget revenues and expenditures increased rapidly: state budget expenditures increased from AZN 2.1 billion in 2005 to AZN 22.7 billion, in other words, more than 10 times in 2018. Accordingly, the amount of funds allocated from the state budget for education, health care, social protection, and social security as well as culture has seen a dramatic increase.

One of the main tasks in public administration is to ensure the development of individuals and the whole society as the most important strategic resource with strong potential and creative abilities. To achieve it, the government should develop and implement a consistent and rational policy. This policy should cover all the elements that make up human capital, reflect specific goals and objectives for each element, and ensure consistency of the indicators and incorporate mechanisms for their implementation. The main source of data for this study are from the Human Capital Report of the World Economic Forum and the Human Development Report of the United Nations Development Program was used. This study pays special attention to the indicators reflected in the human capital report of Azerbaijan for 2016. In particular, the Human Capital Report of the World Economic Forum compared Azerbaijan with other countries on the basis of 0-14 age group, 15-24 age group, 25-54 age group, 55-64 age group and Over 65 age group. In addition, Comparison of Azerbaijan's per capita GDP Data on Indicators of Selected Countries and Country Group and Azerbaijan's HDI trends based on consistent time series data and new goalposts were highlighted. In essence, the study did not use time series data for analysis.

4 Results and discussions

The impact of stimulating human capital development on economic development has been discussed from the perspective of developing and developing countries. According to the Human Capital Report of the World Economic Forum, the indicators of the human capital index of 43 countries were obtained and compared. First, this section reflects the human capital index of Azerbaijan in 2016, as well as the score and level of the 5 group of indicators shown in Table 1 below.

Table 1. Azerbaijan's Human Capital Value Index for 2016

	Human Capital Index		0-14 age group		15-24 age group		25-54 age group		55-64 age group		Over 65 age group	
	score	Level	score	Level	score	level	score	level	score	level	score	level
Azerbaijan	70.72	54	83.18	68	61.65	87	66.66	48	78.85	24	60.93	50

Source: WEF, Human Capital Report. (2016)

As it has seen Azerbaijan is 54. Next place the general scope of Human Capital Index score in 2016. It ranks 68th in the age group 0-14, 87th in the age group 15-24, 48th for the age group 25-54, 24th for the age group 55-64, and 50th for the age of 65 years.

As it will be recalled, it is possible to make regional comparisons in the Human Capital Index. Human Capital Index ranking of countries in the region found that Europe and Central Asia, from Azerbaijan in this respect are shown in Table 2.

Table 2. Ranking of the Countries in Europe and Central Asia Region in terms of Human Capital Index Values in 2016

Number	HCI Rank	Countries	HCI
1	1	Finland	85.86
2	2	Norway	84.64
3	3	Switzerland	84.61
4	5	Sweden	83.29
5	7	Denmark	82.47
6	8	Netherlands	82.18
7	10	Belgium	81.59
8	11	Germany	81.55
9	12	Austria	81.52
10	14	Ireland	80.79
11	15	Estonia	80.63
12	16	Slovenia	80.33
13	17	France	80.32
14	19	United Kingdom	80.04
15	20	Iceland	79.74
16	21	Lithuania	79.34
17	22	Luxembourg	79.28
18	25	Czech Republic	78.45
19	26	Ukraine	78.42
20	27	Latvia	78.13
21	28	Russian Federation	77.86
22	29	Kazakhstan	77.57
23	30	Poland	77.34
24	31	Cyprus	76.97
25	33	Hungary	76.36
26	34	Italy	75.85
27	35	Malta	75.66
28	37	Armenia	75.39
29	38	Romania	74.99
30	39	Croatia	74.99
31	40	Slovak Republic	74.94
32	41	Portugal	74.39
33	43	Bulgaria	73.66
34	44	Greece	73.64
35	45	Spain	72.79
36	47	Kyrgyz Republic	72.35
37	54	Azerbaijan	70.72
38	57	Serbia	70.54
39	58	Tajikistan	70.53
40	59	Macedonia, FYR	70.01
41	63	Moldova	69.67
42	70	Albania	68.23
43	73	Turkey	67.57

Source: WEF, Human Capital Report. (2016)

When the countries in the Europe and Central Asia region are ranked according to their general index values, the first five; Finland, Norway, Switzerland, Sweden and Denmark. 37 out of 43 countries in this region Azerbaijan is located next. According

to these indicators, the Human Capital Index in Azerbaijan is lower than in Europe and Central Asia and is ahead of only 6 countries in the Human Capital Index.

This situation shows us that our country is weak in general in terms of manpower training in this region. It is possible to say that our country is in the middle of the 130 countries examined from the point of view of all these. In this respect, Azerbaijan will create a focus on education and employment elements of human capital will be in the interest of the country. Table 3 shows the first 15 countries according to the Human Capital Index of the 0-14 age group.

Table 3. Top 15 Countries in terms of Human Capital Index of the 0-14 age group for 2016

Number	Countries	Score
1	Finland	98.17
2	Cuba	96.87
3	Barbados	95.92
4	Ireland	95.87
5	Singapore	95.81
6	Japan	95.78
7	Switzerland	95.76
8	Belgium	95.29
9	New Zealand	95.20
10	Estonia	95.09
11	Norway	94.69
12	Iceland	93.85
13	Canada	93.46
14	Sweden	93.25
15	France	93.07

Source: WEF, Human Capital Report. (2016)

In the values of the Human Capital Index calculated for the age group of 0-14, the first five countries are as follows; Finland, Cuba, Barbados, Ireland and Singapore. The 15th is France. Accordingly, Azerbaijan is ranked 68th in this category with 83.18 scores. Table 4 shows the first 15 countries in terms of Human Capital Index calculated according to 15-24 age group.

Table 4. Top 15 Countries in terms of Human Capital Index of the 15-24 age group for 2016

Number	Countries	Score
1	Finland	85.35
2	Norway	84.72
3	Netherlands	83.70
4	Switzerland	83.34
5	Australia	82.56
6	Austria	82.41
7	New Zealand	82.25
8	Denmark	81.89
9	Sweden	81.03
10	Germany	79.78
11	Iceland	79.63
12	Slovenia	79.13
13	Belgium	78.25

14	Russian Federation	78.21
15	Ukraine	78.04

Source: WEF, Human Capital Report. (2016)

In the values of the Human Capital Index calculated for the age group of 15-24, the first five countries are as follows; Finland, Norway, Netherlands, Switzerland and Australia. The 15th is Ukraine. Accordingly, Azerbaijan is ranked 87th in this category with 61.67 scores.

Table 5. Top 15 Countries in terms of Human Capital Index of the 25-54 age group for 2016

Number	Countries	Score
1	Finland	81.24
2	Switzerland	80.51
3	Sweden	80.17
4	Norway	80.11
5	Japan	79.13
6	Singapore	78.70
7	Germany	78.39
8	Denmark	78.17
9	Canada	77.61
10	Netherlands	77.58
11	Belgium	77.55
12	France	77.32
13	Luxembourg	77.24
14	United Kingdom	76.78
15	Austria	76.75

Source: WEF, Human Capital Report. (2016)

In the values of the Human Capital Index calculated for the age group of 25-54, the first five countries are as follows; Finland, Switzerland, Sweden, Norway and Japan. The 15th is Austria. Accordingly, Azerbaijan is ranked 48th in this category with 66.66 scores.

Table 6. Top 15 Countries in terms of Human Capital Index of the 56-64 age group for 2016

Number	Countries	Score
1	Japan	85.72
2	New Zealand	85.70
3	Norway	85.34
4	Sweden	84.58
5	Canada	84.22
6	Denmark	83.99
7	Finland	83.90
8	Switzerland	83.54
9	Germany	83.31
10	Estonia	82.98
11	Armenia	81.84
12	Lithuania	81.24
13	Netherlands	81.06

14	Kazakhstan	80.95
15	Australia	80.85

Source: WEF, Human Capital Report. (2016)

In the values of the Human Capital Index calculated for the age group of 56-64, the first five countries are as follows; Japan, New Zealand, Norway, Sweden and Canada. The 15th is Australia. Accordingly, Azerbaijan is ranked 24th in this category with 78.85 scores.

Table 7. Top 15 Countries in terms of Human Capital Index of the 65 and over age group for 2016

Number	Countries	Score
1	Japan	75.61
2	Norway	74.53
3	New Zealand	74.07
4	Denmark	74.04
5	Armenia	74.01
6	Germany	73.54
7	Switzerland	73.28
8	Canada	73.05
9	Finland	72.95
10	Ukraine	72.21
11	Latvia	72.10
12	Austria	72.00
13	Estonia	71.77
14	Slovenia	71.39
15	Russian Federation	71.14

Source: WEF, Human Capital Report. (2016)

In the values of the Human Capital Index calculated for the age group of 56-64, the first five countries are as follows; Japan, Norway, New Zealand, Denmark and Armenia. The 15th is Russian Federation. Accordingly, Azerbaijan is ranked 50th in this category with 60.93 scores.

Table 8. Comparison of Azerbaijan's per capita GDP Data on Indicators of Selected Countries and Country Group.

Countries	Gross national income (GNI) per capita. (\$)
Azerbaijan	15,751
Turkey	23,500
Russian Federation	23,843
Kazakhstan	22,054
Kyrgyz Republic	3,113
Tajikistan	3,164
Estonia	27,645
Latvia	23,685
Lithuania	26,884
Ukraine	7,593
Belarus	15,765

Georgia	8,785
Armenia	8,350
Uzbekistan	6,135
Turkmenistan	14,890

Source: Human Development Report. (2016)

As can be seen from the table, Azerbaijan has a leading position in the Caucasus region. It lags behind only 6 countries on the same indicator. According to the table, average per capita income is 15,410 USA dollars. In this regard, per capita income in Azerbaijan is 2.2% higher than the average. According to the report, this figure is Kyrgyz Republic, with the lowest per capita income of \$ 3113.

Table 9: Azerbaijan's HDI trends based on consistent time series data and new goalposts

	Life expectancy at birth	Expected years of schooling	Mean years of schooling	GNI per capita (2011 PPP\$)	HDI value
1995	65.3	10.0	10.2	3,387	0.612
2000	66.8	10.4	10.6	4,314	0.640
2005	68.8	10.7	10.7	6,940	0.679
2010	71.0	11.7	10.7	15,246	0.740
2015	71.9	12.7	10.7	16,334	0.758
2016	72.0	12.7	10.7	15,751	0.757
2017	72.1	12.7	10.7	15,600	0.757

Source: http://hdr.undp.org/sites/all/themes/hdr_theme/country-notes/AZE.pdf

Azerbaijan's HDI value for 2017 is 0.757— which put the country in the high human development category—positioning it at 80 out of 189 countries and territories. The rank is shared with Lebanon and The former Yugoslav Republic of Macedonia. Between 1995 and 2017, Azerbaijan's HDI value increased from 0.612 to 0.757, an increase of 23.7 percent. Table A reviews Azerbaijan's progress in each of the HDI indicators. Between 1990 and 2017, Azerbaijan's life expectancy at birth increased by 7.3 years, mean years of schooling increased by 0.5 years and expected years of schooling increased by 2.0 years. Azerbaijan's GNI per capita increased by about 79.2 percent between 1990 and 2017.

Table 10: Human Development Index for Azerbaijan

Years	Health index	Education Index	HDI
1995	0.696	0.618	0.612
2000	0.719	0.640	0.640
2005	0.750	0.652	0.679
2010	0.784	0.681	0.740
2011	0.789	0.684	0.741
2012	0.792	0.689	0.745

2013	0.795	0.698	0.752
2014	0.797	0.709	0.758
2015	0.799	0.709	0.758
2016	0.800	0.709	0.757
2017	0.802	0.709	0.757

Source: Human Development Reports.

The development of human capital index of Azerbaijan is examined in Table 10, the respectively, there is a 1.2-fold increase in education and health indices, and a 23.7% increase in the HDI.

According to the World Bank report, Azerbaijan's Human Capital Index rose from 0.56 to 0.60 from 2012 to 2017. Azerbaijan's Human Capital Index in 2017 was lower than the average figure of regional countries, but was slightly higher than the average figure of countries with similar income. According to the report, if children born in Azerbaijan today benefit from full education and full health, 60 per cent will be productive and 98 out of every 100 children will be able to live to be 5. A 4-year-old child in Azerbaijan can complete an average of 11.6 years of education by the age of 18. Children in Azerbaijan are expected to complete 11.6 years of pre-school, primary, secondary and full secondary education by 18. However, when the school education process is adapted to the quality of learning, it is only 8.8 years. According to the report, 2.8 years are missing in learning. The assessment of pupils' learning quality is slightly below average in Azerbaijan. According to the Human Capital Index, pupils' learning quality was rated at 472 points. Boys were rated at 466 points and girls at 479 points for the quality of education they receive here. It should be noted that in this scale, 625 indicates the highest achievement and 300 - the minimum achievement. As for the longevity of people, 87% of 15-year-olds in Azerbaijan will live to be 60. This figure is 83% for boys and 92% for girls. The statistics shown are the means of evaluating the lethal and non-lethal health effects if a child born today ages in the current conditions. Moreover, the Human Capital Index shows that 18 out of every 100 children born in Azerbaijan are short and are at risk of mental and physical restraint, which may continue throughout their lifetime.

5 Conclusion

The most important difference between developed and underdeveloped countries is the level of economic development. The biggest obstacle to the development of underdeveloped countries is low education level, lack of health conditions and brain drain. These factors prevent the accumulation of human capital in underdeveloped countries and cause waste of resources in the country. In societies with healthy individuals, the production of information and the effective use of information increases the level of economic development with a high level of education. The high level of knowledge and skills of labor force increases productivity while accelerating technological development and this increases factor productivity. Therefore, human capital plays the most important role in economic development. Review of Azerbaijan's human capital index is very low as a result of the scope of the Europe and Central Asia. 37 out of 43 countries. Nevertheless, Azerbaijan has a leading position in

the Caucasus in terms of per capita income. Thus, per capita income in Azerbaijan is \$ 15,751, almost twice as high as in Georgia and Armenia.

This study examined the relationship between economic development and human capital in Azerbaijan. According to the World Bank report, Azerbaijan's Human Capital Index rose from 0.56 to 0.60 from 2012 to 2017. Although, Azerbaijan's HDI value for 2017 is 0.757— which put the country in the high human development category—positioning it at 80 out of 189 countries and territories. In Azerbaijan, economic development, human capital affects positively. Economic development leads to positive changes in human capital in the short and long term. Human capital has a positive impact on economic development in the long run. Human capital plays an important role in the long-term development of society. Increasing the perception of education and health of the society gives the country an advantage in achieving development goals. However, the stability of economic development will also have a positive impact on human capital.

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