


Chapter 7

In Azerbaijan: An Examination of the Relationship Between Human Capital Development and Macroeconomic Indicators

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ABSTRACT

A human being is a being capable of thinking, deciding, and intending. It is irrefutable that a state's true asset is its people, and development's primary purpose is to create an environment in which the population can live a long, healthy, and creative life. Increased investment in human capital will eventually lead to the country's continued development. It is important to remember that in a creative economy, there is a tremendous demand for the intellectual and technological potential that rules this system and the existence of economic resources that provide a powerful source of funding. Human capital is a fundamental value in modern society and has a critical role in the country's economic prosperity as a whole and individual businesses. The study's primary goal is to identify the relationship between Azerbaijan's human capital development and macroeconomic indicators in this regard.

INTRODUCTION

The transition to the information society has led to significant transformations in the economic sphere and all spheres of human civilization. Economic transformations in society have led to a change like the factors that determine the dynamics of economic development, including the main subject of the system of economic relations. Information has become the main subject of economic relations and has replaced traditional commodity forms. Physical capital and tangible assets, which are considered the

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main factors of economic development, have given way to intangible capital. Knowledge and education have become the most important factor in the economic system and have become the main condition for obtaining income. As a result, the concept of the knowledge economy has become the main research topic of modern economic theories. Knowledge has always been at the heart of social and economic progress. In the modern system of economic relations, knowledge has been one of the main conditions for absolute victory in a competitive environment. The hypothesis of the idea that knowledge and science form the core of economic progress stimulates scientific research to focus on the study of man, who is the main carrier of this knowledge and a major participant in economic processes. The cultivation of human capital in any country depends on the conditions created for the revolution of its structural elements. This means, first of all, the level of attention paid to science, education, and the human factor in general. Developed countries, both in the economic sphere and in terms of scientific and technical development, have achieved high results, which is why they always pay attention to the development of education and make significant investments. All this, in unity, reflects the state of human capital in one country or another. The survival and development of any national economic system in a globalizing world economy depends on investment. One of the main conditions for investment by multinational companies in advanced countries is the availability of a highly qualified workforce that can work in one or another economic sphere. As the modern economy is more knowledge-intensive, human capital based on knowledge and skills also occupies a leading position in national wealth. As a result, international relations and economic power are not measured by territories but by the share of human capital in national wealth. Human capital consists of the knowledge, skills and health that people accumulate throughout their lives and ensure their potential as productive members of society. Investing in people's nutrition, health care, quality education, jobs, and skills contributes to the development of human capital, which is essential for building more inclusive societies. In this regard, the study assesses the state of human capital in the country and the government's efforts to develop human capital in three areas: education, health and social protection, and labour. This assessment identifies the factors that ensure and hinder the formation of human capital. Human capital refers to the labour force's productive abilities, talents, health, and expertise, just as physical capital refers to the stock of plants, equipment, types of machinery, and tools. The performance, vintage, and efficiency of each sort of capital might differ. Human and physical capital stocks do create through a series of investment decisions, each of which is costly in terms of direct expenditures and, in the case of human capital, the opportunity cost of the individual's time (Goldin, 2016). Nowadays, the competitive advantages of the economy and the possibilities for its modernization are largely determined by the accumulated and effectuated human capital, as well as the experience in various fields. Human capital is a diverse and highly complex productive factor that affects the development of the economy and society, including the labour force, the innovation system, high-performance accumulated knowledge, professional information systems, intellectual and organizational tools, the quality of life and intellectual activity that ensure the efficient functioning of human capital (Akhmetshin et al., 2018). Human capital management refers to human capital development through regular training, knowledge and skill development activities, and talented employees' retention. An individual strives for the top part of the day to achieve the goals and objectives. Production machines, capital, innovative ideas and office furniture may play an essential role in industries' success, but nothing works if enterprises do not have employees who think so. At present, one of the main economic goals of the countries is to achieve sustainable economic development. One of the essential conditions for sustainable economic growth is human capital. One of the most critical issues facing the Azerbaijani economy is diversifying and reducing resource dependence. From this point

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