

The effectiveness of involving social investments in education

Yahyaeva Aynura Yusif*, Sumgait State University, Dean of the Faculty of Economics and Management, 1 Baku Street, 5008 Sumqayit, Azerbaijan

Suggested Citation:

Yusif, Y. A., (2020). The effectiveness of involving social investments in education. *New Trends and Issues Proceedings on Humanities and Social Sciences*. 7(3), 71–79. Available from: www.prosoc.eu

Received from December 15, 2020; revised from January 25, 2020; accepted from 20 March, 2020.

Selection and peer review under responsibility of Prof. Dr. Huseyin Uzunboylu, Higher Education Planning, Supervision, Accreditation and Coordination Board, Cyprus.

©2020 Birlesik Dunya Yenilik Arastirma ve Yayincilik Merkezi. All rights reserved.

Abstract

Summary: One of the main problems in the social policy of the state is investment activity in this area. Social investments have a significant impact on improving the living standards of the population, improving their education, knowledge and skills and ensuring their health. The attraction of social investments and strengthening their role in the market environment is one of the prior directions of state policy. Social investment should be done in such a way that the final benefit for all projects should be the same. Effective use of social investments also contributes to the development of the country's education system. Education is an important social area that contributes to the creation of conditions for the country's economic development. The article is devoted to the study of the problem of assessing the effectiveness of social investment in education, which is an important social area that creates conditions for sustainable development. In the context of the creation and development of an innovative economy, social investment in education is a priority and provides an important competitive advantage in the strategic perspective, the accumulation and realisation of the country's intellectual potential. At the same time, increased investment in education does not mean the increase of their efficiency and not guarantee the improvement of the quality of educational services. This means that the problem of evaluating the effectiveness of investment in education is complicated. Many scholars, both in our country and abroad, are engaged in solutions of the problem. All of this shows that the research in this area is one of the actual problems.

The purpose of the research Is to evaluate the role and effectiveness of social investment in education. For this purpose, the following main tasks are set:

- identify specific features of the education system as a social investment object;
- systematise the factors of the efficiency of social investments;
- study the role of education in ensuring economic growth and competitiveness in the country;
- determine the system of general performance indicators for educational institutions;
- investigate the ways of implementing state policy in the field of education development, etc.

The methodology of the research is the systematic, dynamic and comparative analysis of factors.

* ADDRESS FOR CORRESPONDENCE: **Yahyaeva Aynura Yusif**, Dean of the Faculty of Economics and Management, Sumgait State University, 1 Baku Street, 5008 Sumqayit, Azerbaijan.

E-mail address: saadethumbataliyeva@mail.ru

Results of the research show that ways to achieve the goals set out in education have been identified, and the role of social investment in this area has been explored. Recommendations for improving the efficiency of social investment in education have also been put forward.

Keywords: Education, social policy, social investment, globalisation, human capital.

1. Introduction

It is clear that the main determinant in all spheres of the economy is the productive and efficient labour spent in the management process. Combining the trilogy of competition, investment and innovation, human capital should be seen as a new criterion for modern economic development. Undoubtedly, the theoretical and methodological principle should be at the forefront as an approach to this issue. From this point of view, the economic theory must clearly define the limits of the category of human capital and form a scientific approach to it. Human capital plays a significant role in the welfare of the people. Human is a factor that accumulates capital, distributes natural resources, establishes social, economic and political institutions and promotes national development. Ensuring the development of the country depends on the knowledge and ability of its people. Therefore, in order to achieve sustainable national development, it is necessary to strive for human capital development and to keep it at the forefront in all areas.

2. Social areas and their investment

In the context of globalisation, the emergence of models and theories of economic development has increased the interest in human capital in terms of economic thinking, development of society and the state. The study and development of human capital are in the focus of not only economists but also political scientists, psychologists, managers and other professionals. Therefore, as we have mentioned earlier, a systematic and comprehensive approach to human capital on a community-wide basis will be useful in terms of economic theory. In general, there are methods for human capital: narrow, extensive and comprehensive.

As we have mentioned earlier, human capital is gradually formed as an economic category. In the first stage, human capital itself contained only education (a narrow understanding of human capital). In the second stage, human capital was largely formed by combining education, education, knowledge, science, health, information services, culture and art.

It is known that the development of each country is directly related to the level and quality of education available there. Educational resources, formed over a long period covering the last century, played an important role in achieving the modern level of development of our country. Educational institutions play an important role in the structure of educational resources. Effective and efficient management of educational institutions plays an important role in addressing the challenges facing education across the country.

Globalisation processes and other issues related to them continue to have a significant impact on the strategically important education sector. Looking at the development vectors and trends in the education sector, we can see that, in fact, significant conceptual and structural changes have been taking place in the world in recent years.

It should be noted that education is a prerequisite for a person's development. According to academic Nuriyev (2005), education is one of the biggest and indispensable tools for the formation of human qualities, the key to finding and achieving its own place in life. Education is a very important prerequisite for the progress of the people, the nation, finding their place among the peoples of the world and the preservation and development of their national, spiritual and moral qualities. Therefore, any state that wants to protect its reputation, place, economic and social interests in the world should not be indifferent to education.

The experience of developed countries proves that achieving basic economic growth is impossible without high-quality education. The development of manufacturing and science-intensive industries, the provision of high-quality production tools and equipment will increase the demand for a highly educated workforce. Theoretical studies show that the level of professionalism of the workforce involved in the production process, their education coverage has a direct impact on improving the quality of life of the population and the growth of monetary incomes. Specialists trained in higher education institutions are actively involved in the management of the state and companies, the creation of greater value-added, economic growth and an increase in labour productivity.

One of the key factors in determining the role of human capital in economic growth and competitiveness is the correct and objective assessment of its value. In international practice, evaluation of the value of human capital is based on the results obtained from education and investment in science. Therefore, social investment in education is one of the actual problems of modern time.

At present, human capital is one of the key factors in the social and economic development of states and their regions. Investing in human capital and education is any activity that enhances employees' skills and abilities and their productivity. Investments in human capital and education include:

1. Education and training costs. This type of investment covers the total cost of developing a person's professional skills. This includes expenses for primary, secondary general, secondary special and higher education.
2. Health care costs. This category includes the costs of preventing and treating diseases and creating favourable social conditions.
3. Expenses related to labour mobility. This group includes the costs of moving employees from low-productivity areas to relatively high-productivity areas (Plaksiy, 2014).

Any investment process involves the use of appropriate tools. Systematically, realisation of the social functions of the state links to large-scale investments. Social investment does not bring about commercial returns, but rather creates conditions for rapid economic growth. Social investments also contribute to the formation of national products because the purpose of any economy is to meet the needs of a person with the help of material, spiritual and other blessings. In international practice, social investment is recognised as one of the sources of funding for the social sector, which contributes to the improvement of living conditions and the rapid economic growth of the population. Social investment in education is one of the key priorities in the context of developing an innovative economy. The productivity of investment in human capital is based on the need to increase public and private sector investment in education and training.

3. Investments in education and their evaluation

Limited state funding of education has a negative impact on the decline of the intellectual and creative workforce prestige, the reduction of the cultural and intellectual level of the nation and the socio-economic development of the country. Investments necessary for education will promote human capital development in this area.

The main purpose of investment in education is to obtain a means to generate long-term income. Investments in education include the acquisition of basic and secondary specialities, advanced training, learning foreign languages and refresher courses. Experience shows that investing in the education of their children is the most profitable investment. The financial performance here has a direct impact on the growth of knowledge capital, which plays an important role in shaping the financial stability of community members. Parents' investment in their children's education contributes to increased cash flow. Young parents need to know that their children's education is extremely important because it allows them to grow professionally, to become financially independent and confident.

The child can get the knowledge that he wants abroad. Investing in foreign education opens the door to a child's world job market and is a solid starting point for a successful future career. Note that one of the most challenging tasks for modern parents is to decide when to invest in a child's education and what methods to use for it.

In many developed countries, there are special programmes that allow parents to start to collect money from early childhood for their child's education. It allows a child of a certain age to get an education in a prestigious university or college, thus making a good start in his or her life.

The role of investment in the younger generation is determined by high returns in the form of new discoveries, inventions, more efficient work and quick solutions to problems.

Cash can be used once. Knowledge capital will provide a growing person with a long-term active and passive source of income. Increased income will lead to improved quality of life. High-quality education, confirmed by the corresponding diploma, certificate etc., shows that young specialists have a strong knowledge of a specific area of activity and practical experience. This greatly increases your chances of getting a decent position.

Sociological research confirms that people who have a diploma receive higher wages as investment in education has a noticeable effect in terms of profit. In addition, they gain not only knowledge, but also have the ability to self-study, and it is a quality that is very important for any employer. The solution to many problems of the country is in the sphere of education of the population. It is the level of knowledge that directly determines the effectiveness, outcome and achievement of goals and objectives. Most people are well aware that they have to read for gaining knowledge and getting a good place in a reputable company. Education is at the core of a highly specialised profession, so everyone has to go through the training process and begin to become an adequate specialist (Atakhanov, 2018).

There are various ways to attract investment in higher education, but in the end, they all give the same positive effect. Investing in education is not just about spending money on training seminars. Investment in education can be divided into three major groups.

Investment in the development of knowledge: Everything here is pretty simple. Knowledge is the basis of any business. Build the foundation for future career growth to expand its scope of activities to deepen knowledge about or to work. Simply, investments in training are made to increase their profits as a result of the better development of their chosen profession. In this case, investing can be understood not only as money but also time and effort spent on training. Experience has shown that summing of these three factors (investment, effort and time) can give only important result.

Investment in children's education: Today, most families in our country are beginning to think about the education of a child from the time they are born. This is evidenced by many student loan programmes adopted in our country.

Investment in staff training: Large companies overseas have been using these investments for a long time. They pay education fees for talented students and staff in exchange for future jobs. This approach produces excellent results as a student studies the whole material throughout the entire period of study and maintains the skills that needs for future work. As a result, the company gains a young professional who is already familiar with the nuances of his future business and who is ready to start the business. Investments in the training of young personnel are practically no risk.

A firm's investment in employee education, with the right choice of courses for continuing education, gives almost always a good result. Indeed, as a result of the work of highly qualified employees, the head of the company significantly increases the competitive advantage.

This gives him the opportunity to work successfully, to achieve goals and objectives more actively. Investments in healthcare can also be profitable, but taking into consideration the global nature of

such a project, the government generally deals with them. Because the state is interested in ensuring that the nation is healthy and effective.

Attracting private capital to the education sector involves increasing the investment attractiveness of educational institutions, including mechanisms and incentives to invest in private and corporate funds, which primarily requires institutional support for the process.

Regions also invest in direct financing of educational institutions and the provision of educational loans to the population. Thus, as a result of the training of qualified workers in the regions, labour resources are formed which are necessary for their socio-economic development. In addition, the efficiency of public investment in education leads to an increase in the gross regional product over time. Thereby, highly skilled employees can not only produce and sell better products at the enterprises, but also provide more efficient services to the population.

As the region’s gross national product increases, living standards increase which is one of the main goals of social investment. It should be noted that people and businesses are closely linked to each other as social investment entities.

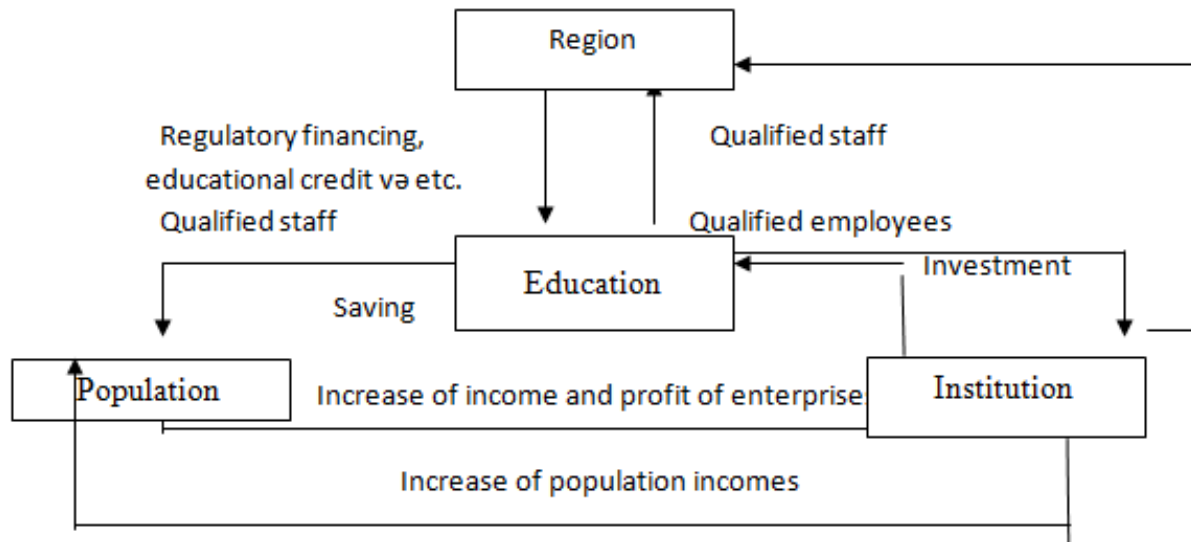


Figure 1. The model of the effectiveness of social investment in education

In general, education contributes to the development of personality and has a great influence on the development of skills, such as decision-making skills, communication skills and rational time allocation. All of the above-mentioned skills enhance the efficiency of various human activities outside the labour market.

4. State policy in the field of investment in education

Theoretical studies show that the level of professionalism of the workforce involved in the production process, their education coverage has a direct impact on improving the quality of life of the population and the growth of monetary incomes. In this regard, a balance between the occupational and professional structure of the workforce and the structure of the workplace should be created to create a balanced labour market. The long-term goal of state policy in this area, based on trends in the economy and labour market, is to create a legal, economic and institutional environment that facilitates the development of a flexible, efficient labour market, thus eliminating the structural inequality between commodities and demand.

Taking into account the changes in demographics and the existing structure of vocational education, the adoption of a professional structure, monitoring and forecasting system in the labour market, including the supply and demand of labour resources, facilitates the selection of the most effective policies in the labour market.

It should be noted that the state of Azerbaijan, which successfully steps in the path of independence, is taking a number of serious steps towards the use of information and communication technologies in a short period of time. The Education Reform Programme of the Republic of Azerbaijan, adopted in 1999, highlighted the fact that the young generation is accustomed to the use of information and communication technologies as one of the top priorities and priorities of our public policy. Our country, which is able to cope with these tasks properly, has made progress in the creation of global information environment, mass use of information and communication technologies, creation of information and knowledge markets, enhancing its international competitiveness by improving the education system, expanding its information exchange systems at international, national and regional levels.

The use of new technologies in the process of admission to higher and secondary special educational institutions of the Republic, the formation of skills of checking knowledge 'online' is considered as one of the successful steps towards the effective use of human potential. Successful action plans to establish a telecommunication network that connects many scientific and educational institutions of Azerbaijan are indicative of the country's readiness to speak in the international arena in this modern area, and to increase international competitiveness in the field of information and telecommunications (State Statistical Committee of the Republic of Azerbaijan, 2019).

According to experts, the political existence and economic value of each country wishing to achieve economic independence, the formation of the national economy, its quantitative and qualitative enhancement is, above all, greatly depends on the creation of new, especially higher education systems enriched with universal values and state regulation (Huseynova, 2013).

The development of education and its organisation require active state intervention. Government intervention in education is a multilateral process. This intervention should not be just about public finances. This intervention should not be limited to programs and textbooks. The development of the national education system should be organised from the bottom up. Preference should be given to the training of qualified specialists, as required by our society and economy.

Of course, education is not an economic activity, it is not producing material benefits. However, the importance of the human factor in the modern economy is growing. Today's workman, regardless of the specific area in which he operates, requires some preparation. Education plays an important role in this preparation. The level of education depends not only on the number of financial resources allocated to education but also on the efficient use of allocated funds.

It should be noted that the strategic roadmap for the future of the national economy in the Republic of Azerbaijan has begun the process of forming a more efficient economic and social system of higher education in our country. There is no separate strategic roadmap for education development. This is explained by the fact that one of the key strategic objectives in the 'Strategic Roadmap for the National Economy' is 'The development of Human Capital' (Strategic Target 3), and as an integral part of it, 'Improving quality at all Stages of Education' is seen as an important priority for economic development (Priority 3.1). It is shown here: 'Measures related to human capital development have been identified and implemented in recent years and are reflected in a number of strategies, state programs and concepts that are currently being implemented. The development of human capital, knowledge and innovation is a priority in the 'State Strategy for Education Development in the Republic of Azerbaijan'. Also, the laws of the Republic of Azerbaijan 'On Education' and 'Science' are important government documents that promote the development of human capital in the country' (Mammadov, 2016; Strategic Roadmap for the National Economy Perspectives of the Republic of Azerbaijan, 2016).

From this, it is clear that there are sufficient government documents in our country for the development of education, and there is no need to adopt a separate Strategic Road Map. Further reforms will be accelerated to improve the quality of higher education, integrate into the global educational space, meet the needs of higher education personnel, and bring higher education in line with the knowledge society and knowledge-based economy. As it can be seen, education plays an important role in achieving the goals for the future socio-economic development of our country. The best way to achieve the goals set by education is through the effective management of educational institutions.

In this context, Azerbaijani universities aim at training highly qualified economists and managers, conducting fundamental and applied research, contributing to the development of 'knowledge economy' and the socio-economic progress of our country by creating a competitive university in the global education services market (Belyakova, 2003).

Currently, there are a number of serious problems that need to be addressed as soon as possible when assessing the effectiveness of investment in education. Taking into account existing approaches in assessing the effectiveness of social investment in education, it should be noted that there are several ways in which it can be implemented both locally and abroad. These methods are based on cost and outcome ratio, management expense records and analysis of plan and actual indicators. First of all, speaking of efficiency, it should be noted that mathematically its meaning is expressed by the ratio of outcomes to costs (Barr, 2006).

The main sources of funding for education are the budgets of various levels. Therefore, the volume of investment is stable. Therefore, cost savings cannot be considered as a key factor that increases the efficiency of using investment. In addition, the main task of the education system is to provide the highest quality training to all students. This means that efficiency gains can only be achieved by improving the quality of services, direct and final results of the education sector, increasing social impact and enhancing customer satisfaction. In addition, increased investment in education does not automatically increase the efficiency of their use and does not guarantee the quality of educational services themselves. People with high-quality education are quick to respond to changes in cutting edge technologies, so they gain more and pay back faster investment. The return on investment depends on how effectively a person uses the acquired knowledge capital.

Table 1. State budget expenditures, million manats

| | 2015 | 2016 | 2017 | 2018 |
|--|----------|----------|----------|----------|
| Expenses– total | 17,784.5 | 17,751.3 | 17,594.5 | 22,731.6 |
| For Economy | 6,408.8 | 4,124.0 | 4,394.3 | 7,822.7 |
| Education | 1,605.1 | 1,754.4 | 1,742.7 | 1,966.6 |
| Health | 708.2 | 702.5 | 704.7 | 709.9 |
| Social protection and social security | 1,857.2 | 2,645.2 | 2,350.2 | 2,150.7 |
| Activities not related to culture, art, information, physical education and other categories | 272.4 | 687.4 | 253.3 | 299.5 |
| For Science | 113.2 | 110.2 | 109.8 | 117.8 |
| Judicial power, law enforcement and prosecution | 1,105.7 | 1,117.1 | 1,177.6 | 1,316.4 |
| for the maintenance of legislative and executive authorities, local self-government bodies | 430.9 | 470.1 | 552.2 | 627.4 |
| Other expenses | 5,283.0 | 6,140.4 | 6,309.7 | 7,720.6 |

5. Adapted from (Ministry of Education of the Republic of Azerbaijan, 2007).

It should be noted that the state budget expenditures in 2018 amounted to 22,731.6 million manats, including 1,966.6 million manats or 8.7% of education expenses. Dynamics of educational expenses have increased in recent years. So, in 2018, compared to 2015, spending on education is 22.5%. Compared to 2016, it increased by 12.1% and 12.8% compared to 2017. According to the

budget classification, education costs generally include general education, child and adolescent growth, cultural and educational activities and training costs.

From the point of view of effective use of budgetary funds in education, in our opinion, the most important are indicators of the dynamics of spending on education per student: student–teacher ratio (number of students per teacher); education level, qualifications and experience of teachers; teacher salaries in dynamics (including inflation processes); the ratio of funds spent on improving the material and technical and methodological base of educational institutions.

The evaluation of the effectiveness of social investment in education is also based on various criteria and indicators: the cost of education per student; the number of students per teacher; education level, an average monthly salary of teachers etc. Indicators of the quality of educational services are the results of the population’s general education coverage, the proportion of the literate population, the number of secondary school students and the independent assessment of student knowledge.

As of 1 January 2019, the population of the country was 9,981.5 thousand people, of which 7,525 thousand or 75.4% were 15 years and older with higher, secondary special and secondary education. 64.7% of the population aged 15 years and older with higher, secondary special and secondary education are people with full secondary education, 13.5% with higher education, 13.1% with general secondary education and 8.7% with secondary special education.

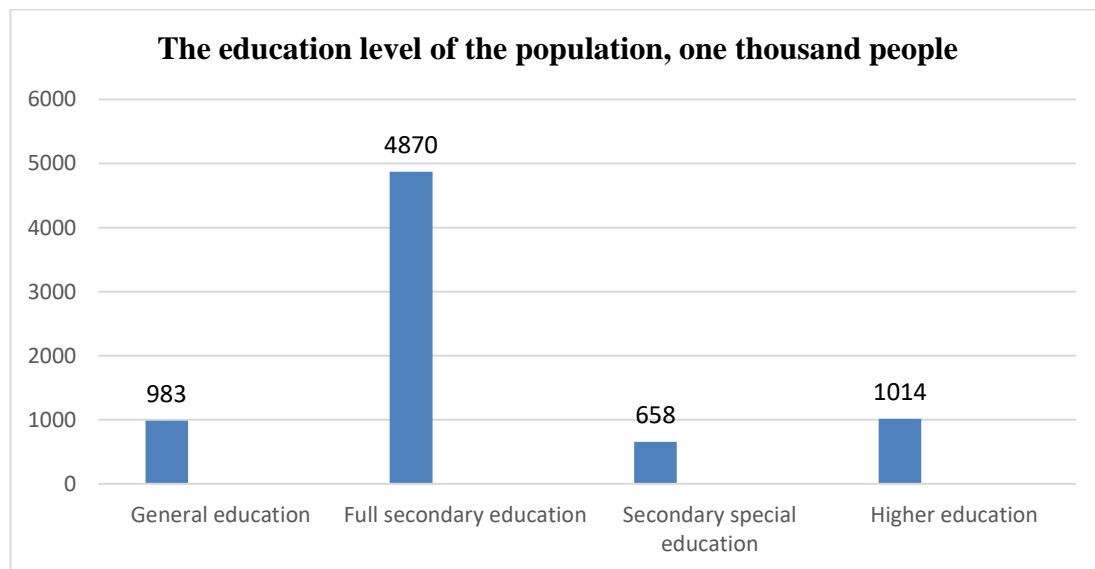


Figure 2. The education level of the population as of 01January2019 in Azerbaijan

In addition to the general education coverage and the total number of the literate population, the following indicators should be considered as indicators of quality of educational services: proportion of school graduates enrolled in universities; percentage of students graduating with ‘good’ and ‘excellent’ grades; percentage of students receiving gold or silver medals; share of Olympic winners of various levels in the total number of students; and the proportion of graduates who specialise in vocational education should be taken into account. Thus, the increase in education costs in a short time leads to the efficient use of human potential, as well as enhances the state’s international competitiveness. This can be achieved through the use of information and communication technologies in modern times.

6. Result

In general, the low costs for the development of the general education system can lead to a decrease in the efficiency of the education sector. One of the most important tasks, in our view, is the deep and comprehensive modernisation of education through the allocation of necessary resources and mechanisms. Social investments can play an important role in this area, which will also help to solve the problem posed for efficient use.

7. Recommendations

There are different ways to invest in education. The most effective way is to create a socio-economic development plan to attract public funding through the Ministry of Education.

The state invests its own funds in educational institutions either through direct financing or through various educational funds. The state places its funds on educational institutions based on approved income and expenditure estimates. These budgetary funds are used in accordance with approved budget rules. Another part of the investment in education is the personal savings of families, as well as the funds of the institutions where the employees work. It should be noted that public policy on investing in education is currently changing to encourage more efficient use of resources, improving the quality of educational services and increasing the independence of educational institutions.

Another way to attract social investment is to develop a programme that will give tax breaks to potential investors.

Proposed mechanisms for attracting social investment in education will enable the restructuring of the education services market, eliminating artificial segregation of the market and moving from cost management to outcomes management. Generally, all sources of investment must interact with each other in order for social investment to work successfully.

References

- Atakhanov, R.A. (2018). Investments in education: theory and methodology. *Fundamental Research*, 1, 24–28.
- Barr, N. (2006). Financing higher education. *University Management*, 3(43), 84–89.
- Belyakova, S. A. (2003). *Education financing system: performance analysis* (182 p). Nanuet, NY: M. Tech-printing.
- Huseynova, A. D. (2013). *Analysis of innovation potential in Azerbaijan* (385 p). Baku, Azerbaijan: Science and Education.
- Mammadov, Z.F. (2016). *Conference at UNEC: unity of science and education: global challenges and local opportunities*. ADIU. Retrieved June 7, 2016, from <http://unec.edu.az/unec-de-konfrans-elm-ve-tehsilin-vehdeti-qlobal-cagirislar-ve-lokal-imkanlar/>.
- Application of information and communication technologies in science and education*. Materials of the II International Conference, 01–03 November 2007. Baku, Azerbaijan: Ministry of Education of the Republic of Azerbaijan.
- Nuriyev, A.X. (2005). *Human and life philosophy* (264 p). Baku, Azerbaijan: Chashiogli Publishing House.
- Plaksiy, S.I. (2014). *Higher education: challenges and answers* (603 p). Daryaganj, India: Publishing House of the National. Institute of Business.
- State Statistical Committee of the Republic of Azerbaijan. (2019). *Statistical Bulletin* (884 p). Baku, Azerbaijan.
- Strategic Roadmap for the National Economy Perspectives of the Republic of Azerbaijan. (2016). Baku, Azerbaijan.