

Analysis of Consumer Behavior Impact on Human Capital Development Through the Example of the Altai Republic

¹I.A. Kirshin, ¹N.M. Gabdullin, ²T.A. Kuttubayeva and ²L.V. Ishchuk

¹Kazan Federal University, Kazan, Russia

²Gorno-Altai, Altai Republic, Russia

Submitted: Oct 17, 2013; **Accepted:** Dec 12, 2013; **Published:** Dec 15, 2013

Abstract: The article examines the influence of the individual demand system on the creation, storage and usage of human capital. Personal motivation is expanding due to the development of needs, while the investments in the consumer sphere of human leads to the development of skills. Dialectical interaction of these skills leads to the increase of the role of human capital in modern economy. We explored the processes of the consumer behavior of individuals on the example of the economy of the Altai Republic.

Key words: Human capital · Development · Human needs · Consumer behavior

INTRODUCTION

One of the critical issues of the human capital theory is the analysis of consumer behavior of an individual. Initially, investing in human capital was mediated by the demands of conventional production. Expansion of the sphere of investment in human capital makes it the key and self-sufficient one. The role of all production relations of the society changes; they start being related with the individual. Besides, the possibility of growth of the post-industrial economics is not limited by the conventional types of activity and is more and more re-oriented to satisfaction of various creative requirements of people. This leads to shifting the production relations to the sphere of the consumer activity of the individual, which relations generate their own forms of subordination of the production activity to personal growth goals.

Therefore, the main type of post-industrial production is the creation of its main national welfare – the human capital. The rise of human capital importance is caused by the change of the society development logics based on using the creative and intellectual abilities of individuals expressed through innovative activity, which results in the change of forms of life activities.

The formation, accumulation and utilization of the human capital are influenced by the system of demands of population. Motivation is an important element of the

human capital. In its turn, motivation of individuals is being expanded due to the development of demands; and investment in them leads to development of abilities, which result in the growth of human capital. Therefore, demands are the point of departure for the development of human capital. For empirical study of the influence of demands on the formation and utilization of human capital, we carried out a research of various population groups in the Republic of Altai in the late 2011. The group of interest included age groups of 18 and more years of age, students of educational institutions and people employed in various spheres of activity (education, healthcare, governmental and municipal administration bodies, trade, banking, transport, communications and housing and community amenities).

The main factor influencing on the structure of demands and determining the possibility to satisfy demands and, subsequently, influencing on the formation of the human capital and the efficiency of its utilization, is the level of incomes of the population. The following answers were received to the question about the average income of a family member per month (including the salaries of both spouses and other members of the family, retirement pensions, allowances, educational allowances and other incomes): 22.2% of the responders answered that their average monthly income was less than \$156; 33.3% had the average income between \$156 and \$262; the same number of people had the average income between

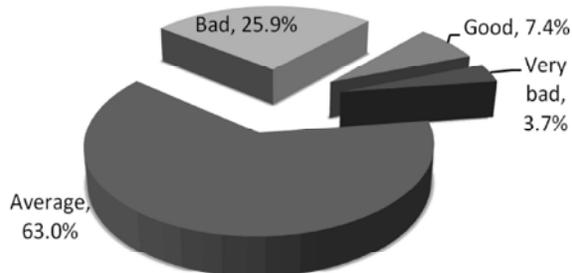


Fig. 1: Diagram of answers of responders to the question "How do you estimate the level of your material welfare?"

\$312 and \$468; 14.8% had the income between \$468 and \$624; and just 7.4% of the questioned people had the income above \$625.

At that, over 40% of the responders found the income above \$625 acceptable for the current situation; 25% believed that the acceptable level was between 468 and 625; and about 20% of the responders wanted to have the income between \$312 and \$468.

The population's income level determines its material welfare. The data represented in the diagram (Figure 1) show that the majority of the responders (62.9%) found their material welfare as medium, 25.9% - as poor and just 7.4% and 3.7% believed their welfare was good and very good, accordingly. In order to increase their income and improve their welfare, the majority of responders (above 54%) was engaged in a second job or improved their qualification and quality of the job. Certain part of responders (about 18%) worked in several places and sold products grown up at their gardens. Insignificant number of the responders (7.6%) stated that they were acquiring second (additional) education and planned to start their own business. The responders of retirement age (12.8%) noticed that in order to improve their welfare, they also worked despite they were retired persons. The most suitable method of increasing the level of one's welfare is a highly paid job. However, according to the results of the poll, only 2.6% of the responders searched for a highly paid job. The majority of the responders who found their level of material welfare good noticed that they did not do anything to increase the level of their welfare (5.1% of the responders).

The structure of demands of the population can be determined based on the analysis of the population's expenses structure. In its turn, the structure of expenses describes the conditions of formation of the human capital. During the research, responders were asked to specify the structure of their monthly expenses.

The data of the sociologic research showed that the majority of the responders (40.7%) spent 25-35% of their total expenses for food and 25.5% of the responders spent for food above 45% of their income. The share of the rest types of expenses in the structure of the responders' expenses was insignificant, just between 0% and 15%. At that, such structure of expenses was typical for all age groups of the responders. From the point of view of determination of possibilities and conditions of human capital formation and development, the negative factor was the insignificant share of expenditures for education and medical services and leisure in the structure of the expenses.

As it was noted before, the important element of the human capital is education. About 60% of the responders had higher education, 22.2% had vocational secondary education, 14.8% had incomplete higher education and 3.7% had general secondary education. At that, 55.6% of the responders noted that the obtained education had come useful to them, 40.7% noted that the obtained education had come partially useful and 3.7% of the responders found the obtained education had not been useful and they were working not within their specialty.

The quality of human capital depends not only on general or professional education, but also on second (additional) education, desire and opportunity to upgrade qualifications. According to the results of our research, only a part of the questioned people (11.1%) had second higher or vocational secondary education. At that, 59.3% of responders did not wish to obtain additional education, 40.7% of them expressed the intention to obtain additional education in order to earn additional money, find a more highly paid job and improve their educational background. At that moment, not all responders who wanted to obtain second (additional) education were able to meet this demand. The main reason was the lack of money and time.

The built crosstable of the issues of demands and desire to obtain additional education shows dependency between the level of demands of the responders and the human capital quality. The higher level of demands the questioned people show, the larger the share of those who demonstrate development of their human capital is.

Update and development of human capital can take place by means of retraining and upgrading qualification. Answers of the responders to the question: "Do you pass qualification upgrade courses at your job?" showed the following results: The major part of the responders (41%) periodically passed qualification upgrade courses, directed by the employer. 15% of the responders also

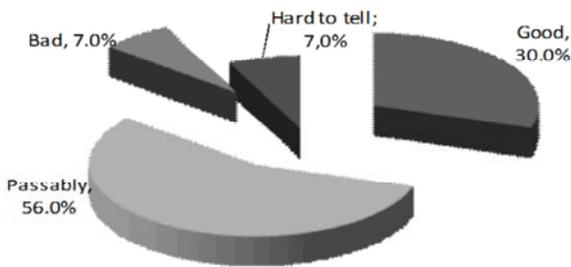


Fig. 2: Diagram of answers of responders to the question: "How do you estimate your health?"

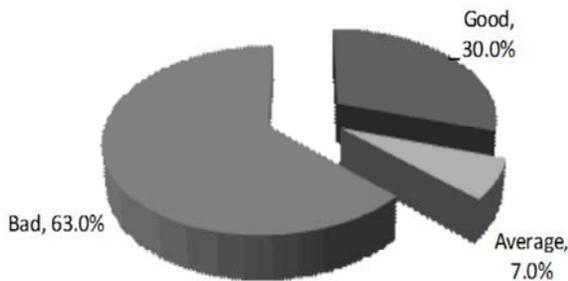


Fig. 3: Diagram of answers of responders to the question "How do you estimate your habitat?"

passed qualification upgrade courses, but rather rarely. Equal number of responders (7% each) mentioned either passing qualification upgrade courses at their own expense, or not passing the retraining at all, as they did not find it necessary. Quite a large share of the responders (11%) noted that there was no qualification upgrade system at the place of their employment.

An important component of the human capital is the state of health of the population, which determines their capabilities in employment and efficient labor. The answers of responders to the question: "How do you estimate your health?" are represented in Figure 2. The diagram (Figure 2) shows that more than half of the responders (56%) found their health satisfactory and only 30% of them believed it to be in a good condition. We can notice a positive point that the majority of the responders (about 70%) took care of their health. At that, they regularly passed medical examination; kept to rational nutrition; took vitamins, bioadditives and herbs; less often went in for sports and passed sanatorium-resort therapy.

To our opinion, formation of human capital qualities is also influenced by the environment the individual lives in, as it determines the possibility to recover his stamina and readiness for efficient labor. Within our research, the responders were asked how they estimated their habitat

and what they did in order to improve it. The outcome of the responders' answers to these questions is provided in Figure 3.

The results of the poll show that the majority of the responders (63%) lived in medium housing conditions, 30% - in good housing conditions and 7% believe their habitat was bad.

In the structure of the planned actions on improvement of their housing conditions, the largest share belongs to repair of the apartment (the house), which above 50% of the responders were going to carry out. Only 11.1% of the questioned people were going to purchase an apartment (a house); and 7.4% of the responders hoped for government aid in solving their housing problems. The quite important fact is that quite a large part (18.5%) of the responders (mainly those living in good conditions) did not plan anything.

In the result of the performed research, a number of factors and demands was revealed, which influenced the utilization of human capital. Particularly, it was the factors that determined the extent of satisfaction of an individual with his job and his labor mobility.

Labor mobility is the ability of an employee to adapt to new labor environment, his readiness to change his routine lifestyle whenever his job calls for that. The higher the mobility of an individual, the lower the risk to lose the job is and the higher the chances to be employed at a higher-paid job are. Among our responders, only 4% of the total number of questioned people showed such a high mobility. The majority of the people (55%) estimated their labor mobility as of medium level and approximately same number of people pointed at low (11%) and very low (15%) level of their labor mobility. This proportion of answers to this question is probably explained by the high level of unemployment; desire to have a good job, absence of choice of job offers, absence of second (additional) education or skills and experience of working in other spheres of activity. Probably, low labor mobility can be explained by the fact that the responders were satisfied with their job. The results of the poll showed that 54.5% of the questioned people answered "in all likelihood" to the question about the extent of their satisfaction with their job. Only 18.2% were completely satisfied with their job, 13.6% of responders were not likely to be satisfied and the same percentage was undecided. The positive fact is that no one mentioned total dissatisfaction with the job.

Satisfaction with one's job consists of satisfaction with various aspects of the job, including salaries, working schedule, relations with colleagues and even

Table 1: Plans of responders on their housing improvement

Options of answers	In percentage of the total number of responders
a) I am about to purchase an apartment (a house)	11.1
b) I am about to repair my apartment (my house)	51.9
c) I am saving money for purchasing an apartment (a house)	0.0
d) I hope to receive aid from the government	7.4
e) I am not planning anything	18.5
f) I am building a house	7.4
g) other (arrange natural gas supply)	3.7

Table 2: Satisfaction of responders with their job

Options of answers	In percentage of the total number of responders
a) yes, completely satisfied	18.2
b) rather satisfied, than not	54.5
c) difficult to say	13.6
d) rather not, than satisfied	13.6
e) no, totally dissatisfied	0.0

Table 3: Distribution of responders by the extent of dissatisfaction with the working conditions (in percentage of the total number of responders)

How much are you satisfied with your work?	Rather satisfied		Rather dissatisfied		The total extent of dissatisfaction (total of the previous two lines)	Ranking of the work aspects by the total level of dissatisfaction	
	Satisfied	than dissatisfied	Difficult to say	than satisfied			Dissatisfied
Salary	9.1	31.8	9.1	36.4	13.6	50	1
Work schedule	47.6	23.8	4.8	14.3	9.5	23.8	4
Diversity of the work	18.2	27.3	18.2	18.2	18.2	36.4	2
Independency of work	36.4	36.4	13.6	13.6	0.0	13.6	6
Relevance of the work to personal skills	45.0	30.0	15.0	5.0	5.0	10	7
Career opportunities	28.6	23.8	23.8	4.8	19.0	23.8	4
Sanitary conditions at the work	31.8	50.0	4.5	4.5	9.1	13.6	6
Additional education opportunities	22.7	27.3	22.7	9.1	18.2	27.3	3
Relations with colleagues	52.4	33.3	4.8	4.8	4.8	9.6	8
Relationship with the immediate superior	36.4	45.5	4.5	9.1	4.5	13.6	6
Technical equipment	40.9	31.8	4.5	4.5	18.2	22.7	5

sanitary conditions of labor. The data provided by the majority of the responders showed that they were completely satisfied with such aspects of their jobs as working schedule, relations with colleagues and the level of technical equipment. The responders were likely to be satisfied with such labor conditions as diversity of the job, sanitary conditions, opportunities for obtaining additional education and relations with immediate superiors. Certain part of the responders noted they were not satisfied with poor career opportunities, diversity of the job, possibility to obtain additional education and the level of technical equipment. At that, when we analyze the ranking of different labor aspects with respect to the total dissatisfaction, it becomes obvious that among other aspects of a job, salaries cause the main dissatisfaction. Other indicators in the last entry of the mentioned table are far behind the dissatisfaction with salaries. This fact states that the demands of the inhabitants of the Republic of Altai and the Russian Federation, as a whole, are limited by the salary issue. Claims for higher salaries limit the opportunities for development of the employees and their motivation, as the impoverished consumer sphere does not allow doing it. Employees are interested in salary

and nothing it is not related to is interesting. Employers can encourage them for more successful activity only by using incentive systems, which, in turn, limits the capabilities of companies. Claims for high salary create the opportunity for development of only highly remunerative businesses, which are hardly able to influence on the development of human capital and can even cause severe damage to it. At the same time, we need to take into account the fact that claims for higher salaries can be caused by a really low level of income, when people have to struggle for survival.

Thus, the results of the poll evidence the existence of the factors in the Republic of Altai, which allow using the available in the region human capital in full. Taken as a whole, the structure of demands mirrored in the structure of the responders' expenses shows satisfaction of low-level demands mainly. For example, during the analyzed period, the three following groups prevail in the structure of households' expenditures: expenses for purchasing non-grocery goods; expenses for purchasing grocery goods; expenses for services. Among various aspects of a job, it is the level of salary that causes dissatisfaction.

In the Republic of Altai, the share of education services, health services and goods, consumption of goods for leisure and recreation, required for development and maintenance of human capital qualities remains very low. In terms of human capital formation and development, such structure of demands is not efficient; therefore, closer attention must be paid to the sphere of formation of human needs.

REFERENCES

1. Bucci, A., 2013. Returns to Specialization, Competition, Population and Growth. *Journal of Economic Dynamics and Control*, 37(10): 2023-2040.
2. Becker, G.S., E.L. Glaeser and K.M. Murphy, 1999. Population and Economic Growth. *American Economic Review*, 89(2): 145-149.
3. Becker, G.S., T.J. Philipson and R.R. Soares, 2005. The Quantity and Quality of Life and the Evolution of World Inequality. *American Economic Review*, 95(1): 277-291.
4. Perri, T., 2013. Can a Draft Induce More Human Capital Investment in the Military? *Economics Bulletin*, 2(1): 905-913.
5. Zhang, C., W. Li and M. Fan, 2013. Adaptation of Herders to Droughts and Privatization of Rangeland-Use Rights in the Arid Alxa Left Banner of Inner Mongolia. *Journal of Environmental Management*, 126(5): 182-190.
6. Panasyuk, M.V., E.M. Pudovik and M.E. Sabirova, 2013. Optimization of Regional Passenger Bus Traffic Network. *Procedia Economics and Finance*, 5: 589-596.
7. Larionova, N.I. and Yu. A. Varlamova, 2013. The Trends of Household Economic Behavior in International Comparison. *Procedia Economics and Finance*, 5: 737-746.
8. Safiullin, L.N., G.N. Ismagilova, D. Kh. Gallyamova and N.Z. Safiullin, 2013. Consumer Benefit in the Competitive Market. *Procedia Economics and Finance*, 5: 667-676.
9. Novenkova, A.Z., N.V. Kalenskaya and I.R. Gafurov, 2013. Marketing of Educational Services: Research on Service Providers Satisfaction. *Procedia Economics and Finance*, 5: 667-676.
10. Bagautdinova, N.G., I.V. Goncharova, E.Y. Shurkina, A.V. Sarkin, B.A. Averyanov and A.A. Svirina, 2013. Entrepreneurial Development in a Corrupted Environment. *Procedia Economics and Finance*, 5: 73-82.
11. Kamasheva, A., J. Kolesnikova, E. Karasik and E. Salyakhov, 2013. Discrimination and Inequality in the Labor Market. *Procedia Economics and Finance*, 5: 386-392.
12. Šrédl, K., A. Soukup and L. Severové, 2013. Models of Consumer's Choice. *E a M: Ekonomie a Management*, 16(2): 4-9.
13. Safiullin, L.N., G.N. Ismagilova, N.Z. Safiullin and N.G. Bagautdinova, 2012. The Development of Welfare Theory in Conditions of Changes in the Quality of Goods and Services. *World Applied Sciences Journal*, 18: 144-149.