Interrelationships Of Human Capital And Financial Investment Performance In Singapore

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Abstract

Investigating the connections and interrelationships between financial and human capital investment in Singapore is the goal of this study. We examine the link between human and financial capital investment performance in Singapore using the Vector Error Correction Model. With a research period from 2000 to 2020. We use secondary data from the World Bank. We found that increasing human capital by increasing health and education facilities in Singapore affects the quality of financial investments made by Singaporeans. Vice versa, an increase in financial investment in Singapore also supports an increase in human capital investment in Singapore.

Keywords: Human Capital,Financial Investment Performance, Singapore.
JEL Classification: D73, H5, H25, L86

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Background

Today's modern economy has various challenges along with the times (Bowles & Carlin, 2020). In one company, management and control in particular are faced with the challenge of developing appropriate concepts and actions under time pressure to secure the company's existence in a crisis. It is not without reason that the current divestment considerations are being carried out to ensure economic viability in the face of an acute decline in revenue and sales (Deliu, 2020). From a macroeconomic perspective, the impact of the financial market crisis shows very clearly how problems in the financial sector, bearing in mind the linkages and dependencies between finance and the real economy, have also spread to the industrial, trade and service sectors (Wójcik & Ioannou, 2020).

Hardly a day goes by without the media reporting on visible signs of recession at the microeconomic level, i.e. in affected firms, for example through reduced demand or orders, increased inventories, short working hours, production disruptions, factory closures as well as falling stock prices (Bretscher, Hsu, Simasek, & Tamoni, 2020). Although initially it was only a few cyclical sectors, such as the international automotive industry, whose large companies even sought state assistance due to the massive drop in sales, the number of sectors and company sizes directly or indirectly affected by the current crisis has steadily expanded (Pató, Herczeg, & Csiszárik-Kocsir, 2022). It is no longer only multinational companies, but also small and medium enterprises (SMEs) that are facing high pressure to adapt in the current crisis (Guo, Yang, Huang, & Guo, 2020). However, the impression that the divestment must be linked to a corporate crisis should not be given. So a reversal of a previous investment in the sense of withdrawal is not automatically seen as a defeat, but can also be seen as an opportunity to concentrate and focus one's strengths (Barbalat, 2020). Although there is still no agreement on the concept of control and its content in business theory, a coherent definition of control has long been found in control practice (García-Feijoo, Eizaguirre, & Rica-Aspiunza, 2020).

Control is understood from a practical point of view as a discipline that establishes and accompanies the management process of goal-setting, planning and control, not without shared responsibility for achieving organizational goals (Sharma & Lowe, 2023). Therefore, decisions about divestments and their effects are always classified in the relevant control area, where on the one hand the decision may be suitable for securing the long-term viability of a company based on its competitive resources and therefore is strategically relevant (Chatzoudes, Chatzoglou, & Diamantidis, 2022). On the other hand, divestiture decisions are often seen in terms of implementing strategy, and as a consistent further development, they determine and limit the short to medium term resource situation for functional areas and positions within the organization (Brahmana, You, & Yong, 2021).

Investment control and development requires adequate expertise and knowledge, including educational level (Majid, 2020). Increasing human capital and improving societal financial investment performance are strategically related. Of course, this is a rather enigmatic issue that requires further research (Yong, Yusliza, Ramayah, Chiappetta Jabbour, Sehnem, & Mani, 2020). Investigating the connections and interrelationships between financial and human capital investment in Singapore is the goal of this study.

Research Method

We examine the link between human and financial capital investment performance in Singapore using the Vector Error Correction Model. With a research period of 2000 to 2020. We use secondary data from the World Bank. Variable descriptions, we present in table 1.

Table 1. Variable descriptions

Variable	Descriptions	Source
HCI	Human Capital Investment	World Bank
FCI	Financial Capital Investment	World Bank

Results and Discussion

Based on research findings and observations made over the study period of 2000–2020 utilizing quantitative techniques and VECM, the following graphs are presented:

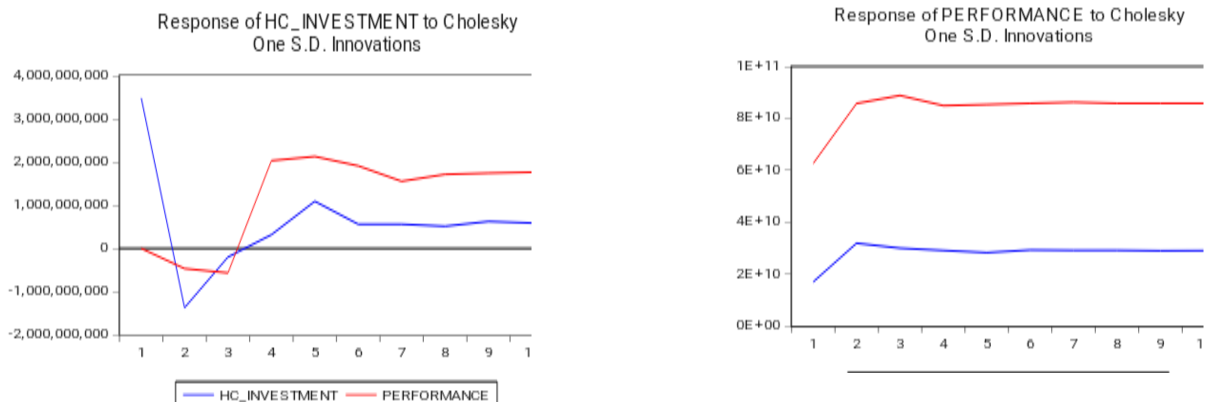

Figure 1. VECM Result

It is clear from the VECM estimation results that financial performance and human capital investment exhibit behavioral relationships that influence one another through patterned flows, with patterned flows being influenced by factors other than human capital investment. Therefore, it can be said that human capital can influence financial investment performance and vice versa. where the performance of financial assets is directly impacted by investments in better skills and education.

Conclusion

Increasing human capital by increasing health and education facilities in Singapore affects the quality of financial investments made by Singaporeans. Vice versa, an increase in financial investment in Singapore also supports an increase in human capital investment in Singapore.

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