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Linnik Elizaveta Y.,
student,
department of international economics and management,
Graduate School of Economics and Management,
Ural Federal University named after the first President of Russia B.N. Yeltsin
Yekaterinburg, Russian Federation

Solodova Anastasia S.,
student,
department of international economics and management,
Graduate School of Economics and Management,
Ural Federal University named after the first President of Russia B.N. Yeltsin
Yekaterinburg, Russian Federation

Baskakova Irina V.,
candidate of economic sciences, associate professor,
department of economic science and economic policy,
Graduate School of Economics and Management,
Ural Federal University named after the first President of Russia B.N. Yeltsin
Yekaterinburg, Russian Federation

MODERN DETERMINANTS OF HUMAN WELLBEING

Abstract:
This study examines the relationship between factors embodying different economic institutions and human well-being. The purpose of the study is to examine the impact of modern determinants on human well-being and to assess how government and business can use the information obtained in their activities.

Keywords:
Well-being, economic institutions, business environment, regression analysis, governance institutions, human development.

In today's rapidly evolving global landscape, the pursuit of human well-being stands as a paramount objective. As societies grapple with the intricate challenges of the modern era, it becomes increasingly imperative to comprehend factors that shape and impact human well-being. From socioeconomic disparities to groundbreaking technological advancements, from environmental sustainability to shifting cultural paradigms, the determinants of well-being are multifaceted and in a constant state of flux. As the world undergoes rapid transformations and societal values evolve, so too does our understanding of well-being. By delving into this research, we endeavour to illuminate the key factors, challenges, and opportunities associated with fostering well-being in the dynamic landscape of the modern era.

The concept of well-being is inherently subjective and multifaceted, encompassing various dimensions that extend beyond mere physical health. As such, it is subject to diverse interpretations and measurements across different cultures, societies, and academic disciplines. While some may equate well-being with material wealth and economic prosperity, others prioritise factors such as mental and emotional stability, social connections, and a sense of purpose or fulfilment in life. Moreover, the methodologies used to measure well-being vary widely, ranging from objective indicators like income levels and life expectancy to subjective assessments through surveys and self-reported data. This diversity in interpretation and measurement underscores the complexity of the concept of well-being and highlights the need for a nuanced understanding that takes into account the diverse perspectives and contexts in which it is situated.

In the study (Donchenko, 2022) [1], the objective approach to measuring well-being encompasses various dimensions such as economic, environmental, social, health, governance, security, education, and technology. Similarly, the study (Voukelatou et al., 2021) [2] emphasises objective indicators like health, job opportunities, socioeconomic development, environment, safety, and politics. On the other hand, subjective well-being, as discussed in the study (Brulé, 2022) [3], includes happiness, life satisfaction, and positive emotions. Gaël also evaluates existing well-being indices, including the Happy Planet Index, Sustainable Development Goals Index, Human Sustainable Development Index, Sustainable Development Index, and Gaucher's index of a happy, long, and sustainable life, which incorporate both objective and subjective indicators. For instance, in the study (Lee & Singh, 2020) [4] research examines the association between subjective well-being and health outcomes in the United States, finding that higher levels of happiness and life satisfaction are linked to increased life expectancy and reduced all-cause mortality risks, highlighting the significance of subjective well-being for overall health.

In the article (Livingston et al., 2022) [5] the authors aim to examine the social, cultural, and economic determinants of well-being at both individual and societal levels. The authors provide a comprehensive overview of the

factors influencing individual well-being. These factors include income, mental and physical health, education, employment status, discrimination, government policies, and neighborhood conditions. The authors emphasise the holistic nature of well-being, stressing its importance in shaping both individual and societal productivity and welfare. Similarly, in the study (Sirgy, 2021) [6] the author aims to explore the impacts of technological, economic, political, and socio-cultural factors on well-being and positive mental health. Economic factors such as economic fluctuations, market openness, and income inequality, along with political factors like democratic governance and socio-cultural factors such as social quality and cultural values, are identified as significant determinants.

Migration also emerges as a significant factor influencing well-being, as highlighted by authors in the study (Hendriks & Burger, 2021) [7] and authors in the study (Akdede & Giovanis, 2020) [8]. Hendriks.M and Burger.M explore the relationship between migration and happiness, while Akdede.S and Giovanis.E scrutinise the effects of migration flows on the well-being of elderly natives and migrants across Europe. These studies underscore the complex interplay between migration patterns and well-being outcomes.

The study (Islam, 2020) [9] aims investigates the link between human capital, including life expectancy and literacy, and GDP per capita in South Asian countries like Bangladesh, India, Nepal, Pakistan, and Sri Lanka. The study finds that higher life expectancy and literacy rates correlate with increased GDP per capita. This underscores the significance of investing in education and healthcare to promote human capital development and economic growth.

Finally, the work (Mngadi et al., 2023) [10] investigates the impact of access to clean water and sanitation on depression in rural South African communities, highlighting the critical role of access to clean water and sanitation in promoting human well-being. Similarly, the work (Amorocho-Daza et al., 2023) [11] aimed to investigate the relationship between water-related variables and global human development taken as an indicator of human well-being.The findings highlighted that even small improvements in HDI were associated with significant enhancements in water and sanitation access.

In our study, we are investigating Asia, which represents a diverse range of economies, from emerging markets to developed nations. Many Asian countries have experienced rapid economic growth and development in recent decades. Exploring the relationship between economic growth, institutional factors, and well-being in this dynamic context offers opportunities to understand the complexities of development processes and their impacts on human well-being.With this in mind, we took 24 Asian countries and divided them by income into 2 groups: upper-middle income and lower-middle income.

Based on our comprehensive theoretical review encompassing modern determinants of human well-being the following hypothesis is formulated:

H1: Economic institutions and business environment factors will exhibit a weaker correlation with human well-being in Asian countries with lower-middle income, while demonstrating a stronger relationship in countries with upper-middle incomes.

This study involves panel data where the data are collected from open data sources such as the World Bank, Our World in Data and the United Nations Development Programme. The cross-section part of the panel consists of 24 Asian countries and the time-series part of the panel involves years from 2013 to 2022. For the study, there are 240 total observations.

This study used well-being as a dependent variable and measured as the average satisfaction rating of the country's citizens. Moreover, political stability, government effectiveness, regulatory quality, voice and accountability, employment to population, business freedom, GDP growth, life expectancy at birth, literacy rate, gender inequality, net migration, current health expenditure, CO2 emissions and access to clean water are used as independent variables. All independent variables were divided into 4 groups: Political and Governance Institutions, Economic Institutions and Business Environment, Social and Human Development, Environmental.

To explore the relationships between different variables related to human well-being in Asian countries, we examined the correlation matrix. The relationship between the indicator "Well-Being" (WB) and some independent variables shows several significant correlations. "Life expectancy at birth" (LE) has a stable positive correlation (0.60) with WB, suggesting that by improving living conditions, people's overall well-being increases. Gender Inequality Index (GI) is strongly negatively correlated (-0.57) with WB, indicating a significant negative impact of gender inequality on welfare. Government efficiency (GE) and regulatory quality (RQ) are strongly positively correlated with WB, while the business freedom index (BF) is moderately positively correlated. These correlations suggest that better governance and higher business freedom are often accompanied by higher welfare. This correlation is consistent with economic theory, as better governance in a country and greater freedom to do business tend to foster economic growth, job creation and innovation, which leads to higher living standards and higher well-being of citizens.

For the correctness of model building (Table 1), 3 methods were used: "Pooled OLS", "Fixed effect" or "Random effect". To determine the best model for each group of observations, the Hausman test was used, which showed that the best model for analysing all countries is the fixed effect model, while for analysing income groups the pooled OLS model is more appropriate. Also, post estimation tests showed that the models have no econometric problems.

The model built for lower-middle-income countries explains 55% of the variation in the dependent variable. In this model, the variables "Voice and Accountability" and "Gender Inequality" at the 10% level and the variable "Current health expenditure" at the 1%, 5% and 10% levels are significant, with the coefficients on the variables showing that, on average, when they increase, human well-being decreases by 0.008, 0.02 and 0.136 valuation points respectively. It can be assumed that this finding is due to the fact that in low-income countries citizens are careless about their citizenship

and politics, social aspects such as gender equality are more important to them. At the same time, there is a negative correlation with regard to health care expenditures, which may be due to the fact that the low GDP of the country does not allow investing in quality health care, which makes citizens have a negative impression of medical services and services.

The model built for upper-middle-income countries best reflects reality and has an explanatory power of 91%. Moreover, this model has a large number of significant variables, namely, variables such as "Voice and Accountability", "Employment to population", "Business freedom", "GDP growth", "Life expectancy at birth" and "Access to Clean Water" increase well-being by 0.004, 0.048, 0.02, 0.00002, 0.057 and 0.009 evaluation points respectively, while "Political Stability" and "CO2 emissions" decrease well-being by 0.005 and 0.122 evaluation points respectively. It is worth noting that, according to the model, social factors are not important for citizens of high-income countries, which can be attributed to the fact that high-income countries are mostly already socially developed and therefore their citizens are not interested in the social component. Such countries are focused on sustainability on the world stage, while their citizens pay more attention to economic, political and environmental aspects.

Finally, the model built for all analysed Asian countries reflects the reality by 18%. Moreover, such economic factors as "Employment to population" and "Business freedom" are significant in the model, with the increase of which, on average, human well-being increases by 0.042 and 0.009 respectively. Paying attention to social factors, it is worth noting the significance of "Life expectancy at birth" (increases the dependent variable by 0.093) and "Current health expenditure" (decreases the dependent variable by 0.054). In environmental factors, "CO2 emissions" was significant at 2 levels and "Access to Clean Water" was significant at 3 levels. It is noticeable that the set of significant variables is closer to upper-middle-income countries than to low-income countries, despite the smaller number of high-income countries in the sample.

Table 1 – Results of model building

Dependent variable: Well-being	Lower middle countries (POLS)	Upper middle countries (POLS robust)	All countries (FE)
Political Stability and Absence of Violence/Terrorism	0.0004	-0.005**	-0.004
Government Effectiveness	0.005	-	-0.003
Regulatory Quality	0.011	-	0.002
Voice and Accountability	-0.008*	0.004**	0.003
Employment to population ratio	-0.004	0.048**	0.042***
Business freedom score	-0.0002	0.020***	0.009**
GDP growth	0.001	0.00002***	0.00001
Life expectancy at birth	-0.041	0.057***	0.093**
Literacy Rate	-0.001	-0.006	0.011
Gender Inequality Index	-0.020*	-	0.012
Net migration	-0.00000007	-	0.00000002
Current health expenditure	-0.136***	0.011	-0.054*
CO2 emissions	0.05	-0.122***	0.084**
Access to Clean Water	0.0007	0.009***	-0.025***
Constant	9.055	-2.558	-4.896
Observations	150	90	240
R2	0.546	0.909	0.176
Adjusted R2	0.499	0.898	0.176
F Statistic	11.61***	79.32***	3.08***
***p<0.01; **p <0.05; *p <0.1			

Based on the regression analysis, it is evident that certain factors significantly impact well-being across all countries. Governments should prioritise policies aimed at improving the institutional framework and economic environment to foster well-being. The significance of these institutional factors lies in their fundamental roles in promoting stability, fostering innovation, and ensuring sustainable development.

Importantly, our hypothesis stated at the beginning of the work is confirmed. In upper-middle-income countries, factors related to economic institutions and the business environment, such as the business freedom score, GDP growth, and employment to population ratio, significantly correlate with higher levels of well-being. Policymakers should prioritise initiatives to enhance business freedom by streamlining regulations, fostering a competitive business environment, and promoting sustainable economic growth. Additionally, investing in education and skill development programs to bolster employment opportunities can ensure that economic growth translates into tangible benefits for all segments of society. These measures will contribute to improved living standards, greater prosperity, and enhanced quality of life for citizens in upper-middle-income countries.

In lower-middle-income countries, factors related to economic institutions and the business environment demonstrate a weaker correlation with well-being. However, variables such as current health expenditure, voice and

accountability, and gender inequality exhibit a stronger relationship with well-being outcomes, underscoring the critical role of institutional quality in shaping well-being. Investing in healthcare infrastructure, promoting transparency and accountability, and addressing gender disparities are crucial steps for improving well-being in these nations. These institutional reforms can enhance human capital development, social inclusion, and overall quality of life, thereby contributing to sustainable well-being outcomes in lower-middle-income countries.

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