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# The Sustainable Relationship between Investments in Human Capital and M&A

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## Abstract

The purpose of this study is to investigate the sustainable relationship between government investment in human capital and the number of mergers and acquisitions (M&A). The analysis is carried out on EU countries grouped into emerging countries, frontier countries and developed countries, considering the FTSE Russell ranking. Specifically, the research looks at the impact of a range of social factors: government expenditure on recreation programmes, community events, festivals (RCR), expenditure on housing and community facilities (HCA), expenditure on schools and universities (EDUC), expenditure on hospitals and general practitioners (HLT), expenditure on social protection (SP) and public order and safety (POS), defence expenditure (DEF) and environmental protection expenditure (EP) on the volume of merger or acquisition operations. Following the study carried out with the help of the panel data methodology and the OLS (ordinary least squares) method, we concluded that a business environment characterized by sustainable government investments in culture and education is more likely to contribute to business success and to attract more foreign investors, including those resorting to mergers or acquisitions. The results of the study could help identify the group of countries that require more attention from governments in terms of spending allocated from GDP for a sustainable human capital environment. Also, entrepreneurs can discover sustainable countries where they can make foreign direct investments with a favourable impact on the performance of the target companies.

**Key words:** M&A; human capital expenditures; sustainable relationship; social factors; investors behaviour; COFOG indicators;

**JEL Classification:** G34, M14, M21

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