

## **Chapter 5**

### **Human Capital Formation in India**

Q. 1 What are the two major sources of human capital in a country?

Answer:

The two main sources of human capital are investment in education and health.

a) Education – It raises the standard and quality of living and also encourages modern attitude among the people it increases the capacity to produce and the productivity of the workforce of a nation by enhancing their skills.

b) Health – It brings economic development by supplying active energetic and healthy work force which increases the productivity.

Q. 2 What are the indicators of educational achievement in a country?

Answer:

The indicators of educational achievement in a country are - primary education, youth literacy, and adult literacy.

- Primary education completion rate indicates the percentage of students who have completed the last year of primary school.
- Youth literacy rate indicates the percentage of literate people between the age of 15 to 24, who can read and write.
- Adult literacy rate indicates the percentage of literate adult population who are aged 15 years and above.

Q. 3 Why do we observe regional differences in educational attainment in India?

Answer:

Regional differences in educational attainment in India is because of the inequality of income and expenditure by the government in education facilities.

Q. 4 Bring out the differences between human capital and human development.

Answer:

The basic differences between human capital and human development are –

- Human capital considers that the productivity can be increased by education and health whereas human development believes that the education can be beneficial only when the human beings are able to derive maximum benefit out of what they have learnt.
- Human capital is a narrow concept which treats human being as a means to achieve higher productivity whereas human development is a broader concept which considers human beings as an end in themselves. It believes that human welfare can be achieved through investment in education and health.

Q. 5 How is human development a broader term as compared to human capital?

Answer:

Human development is a broader concept in which the human beings are considered as end in themselves. Human development includes the overall prosperity of human beings through education and health facilities. It considers that welfare is the right of every individual irrespective of the fact that what his or her contribution to the labour productivity is. Everyone has the right to be literate and to lead a healthy life.

Q. 6 What factors contribute to human capital formation?

Answer:

The factors that contribute towards the formation of human capital are –

- Education
- Training
- Health
- Migration
- Information

Q. 7 How government organizations facilitate the functioning of schools and hospitals in India?

Answer:

The government organizations play an important role in the functioning of the schools and hospitals in India. Expenditure on education and health are carried out by all the branches of government whether at Central level or State level or Local government. The government has set up various organizations to promote the health and education facilities, some of them are –

- NCERT, which is responsible for designing the text books for school level education.
- UGC, which provides funds to the university education and it promulgate rules and regulations regarding the higher education in India.
- AICTE, which and formulates rules and regulations regarding the technical education in India.
- ICMR, which formulates rules and regulations related to education and research in health sector in India.
- National Institute of Health and Family Welfare, which is responsible for promotion of various health and family welfare programmes in India.

Q. 8 Education is considered to be an important input for the development of a nation. How?

Answer:

Education is considered to be an important input for the development of a nation because –

- 1) It provides the necessary knowledge and skills, which helps the people in increasing their productivity.
- 2) It creates social awareness and develops mental ability among the people so that they can make right choice at the time of need.
- 3) It improves the earning capacity of individuals which ultimately improve the living standard of people and the quality of life.
- 4) An educated person can easily understand the problems of population growth in India and can take proper measures to make his/her own contribution in bringing this growth rate down.
- 5) It helps in improving the employment level in the country and or we can say in dealing with the problem of unemployment.
- 6) It helps in acceptance of modernization and modern techniques which ultimately results in the development of the nation.
- 7) Education not only makes people educated but also helps an underdeveloped or developing economy to solve various problems like poverty, income inequality, population, investment, underutilization of resources, etc.
- 8) It increases the participation of people in the process of growth and development of the country.

Q. 9 Discuss the following as a source of human capital formation

- (i) Health infrastructure
- (ii) Expenditure on migration.

Answer:

(i) Health infrastructure – A person is said to be healthy when he/she is physically, socially, and mentally sound. It includes the cost of preventive and curative medicines, supply of clean drinking water, good sanitation, etc. The investment in health sector is a source of human capital formation because it provides healthy labour force to the country and at the same time increases the productivity of the people of the country. We should not forget the phrase “Health is Wealth”, a healthy population can contribute more to the GDP of the country.

(ii) Expenditure on migration – The expenditure on migration includes the transportation cost and the cost of living of the people who have migrated. People migrate from one place to another in search of better job facilities and improved living condition. The expenditure on migration is termed as a source of human capital formation because it increases the earning of the person who has migrated and contribute to the GDP of the country.

Q. 10 Establish the need for acquiring information relating to health and education expenditure for the effective utilization of human resources.

Answer:

The information relating to health and education expenditure for the effective utilization of human resources is needed because –

a) The information regarding jobs available, salaries offered and admissions available in schools and colleges are important for growth of human capital. This information helps the people to make better choice between various available options and leads towards effective utilization of human resource.

b) The investment made on health information improves the health, efficiency, quality of living and life expectancy of people. Such

information ensures the supply of healthy workforce in the country. This leads in effective utilization of human resource of the country.

Q. 11 How does investment in human capital contribute to growth?

Answer:

The investment in human capital contributes to growth in the following manner –

- a) A well-educated and healthy work force makes better utilization of the physical inputs and capital which increases the productivity and ultimately results in an improved growth rate of the nation.
- b) An educated workforce is more productive and skillful; they have the potential to develop new skills and innovation of new and modern techniques which can give more efficient and productive results. This is very important for the economic growth of the country.
- c) When there is good investment in human capital it gives healthy and educated workforce and the participation rate increases which accelerate the process of economic growth and development of a nation.

Q. 12 ‘There is a downward trend in inequality world-wide with a rise in the average education levels’. Comment

Answer:

With the increase in the education level, the inequalities of income reduce because the educated persons have more ability and skills and so they can earn better. They can utilize the inputs in the best possible manner which increases the productivity as well as with help of education they can earn better which improves the standard of living and the quality of life.

The increase in the literacy level reduces the inequalities in income and wealth and this benefit of education has forced the Government of various countries to invest more and more in the education sector.

Q. 13 Examine the role of education in the economic development of a nation.

Answer:

Education plays a vital role in the economic development of any nation. The benefits of education are –

- 1) It provides knowledge and skills to people, which improves their productivity and gives them a better opportunity to work and to earn high income.
- 2) It helps the individuals to accept the modern methods and the modern techniques easily which accelerates economics growth.
- 3) It reduces the inequality in income and wealth by increasing the earning capacity of the human resource or human capital of the country.
- 4) It develops the ability among the individuals to acquire new skills and to innovate new techniques so that the work can be done in more efficient and effective manner.
- 5) It increases the participation rate of people in the economy which accelerates development of the country.

Q. 14 Explain how investment in education stimulates economic growth.

Answer:

Education is one of the important sources, which facilitates the human capital formation. Investment in education will help people in acquiring new skills and knowledge which will improve their productivity and also they will be able to adopt new technology as well as to invent new methods to increase the productivity. This will increase the income of the people and provide them a better living standard and will improve the quality of life.

So the investment in education will result in increased economic growth.

Q. 15 Bring out the need for on-the-job-training for a person.

Answer:

There are two types of training methods - on the job training and off the job training. Under off the job training method, first employees are trained and then they are assigned job. Under on the job training, people are trained while doing the work. The need for on the job training is that –

- a) It helps the person to get accustomed to the values, norms, and standards of the organization.
- b) It facilitates better utilization of raw materials and results in reduced wastage.
- c) It helps the person to gain practical experience.

Q. 16 Trace the relationship between human capital and economic growth.

Answer:

Human capital is very closely and directly related to economic growth. Well educated and healthy human capital will contribute more towards economic growth by contributing towards Gross Domestic Product through increased productivity and innovative manners.

Q. 17 Discuss the need for promoting women's education in India.

Answer:

Educating women in India is very important because it is commonly said educating male means an educated individual but an educated female means an educated family. The reasons to promote women education in India are –

- It will improve the social and moral status of women.
- It will help in population reduction.



- It will help in the improvement of health care of women as well as children.
- Well educated women can give good moral values and education to her children.

Q. 18 Argue in favor of the need for different forms of government intervention in education and health sectors.

Answer:

It is important for government to intervene in the education and health sector because –

- Firstly, if it is left totally on the private sector then the private Institutions will use it for earning more and more profit and both the health facilities and education will become quite expensive.
- Secondly, education and health both are important for growth of a nation so the expenditure on education and health should be made at all level of government so that they could be widely spread in order to promote economic growth.

Q. 19 What are the main problems of human capital formation in India?

Answer:

The main problems of human capital formation in India are –

- a) The rapidly increasing population exerts pressure on the limited resources of the which, decreases the per capita available resource.
- b) The human development is a long-term process because it requires skills and knowledge which takes a long time to develop in a human mind.
- c) Regional and gender inequality
- d) Migration of high skilled labour
- e) Insufficient on the job training programmes in the agricultural sector

f) High poverty level

Q. 20 In your view, is it essential for the government to regulate the fee structure in education and health care institutions? If so, why?

Answer:

Yes, it is essential for the government to regulate the fee structure in education and health care institutions because –

- a) Education and health care are the two main sources of formation of human capital on which the economic growth any country is dependent.
- b) Education is the right of every citizen of India so it should be available at an affordable rate.
- c) The private institutions in the health sector charge high fees which is not affordable by all the economic classes, so if it is left only for the private sector the health quality will decline and it will adversely affect the human capital.