



# learnkwniy

## **CHAPTER 5**

# **Human Capital Formation**

## **MEANING OF HUMAN CAPITAL**

**Human Capital is referred as the stock of skill, knowledge and enterprise embodied in the people.**

**Human Capital Formation means increasing people's level of productivity and efficiency by making them more educated and healthy.**

### **Sources of Human Capital Formation**

**1. Education - Expenditure on education is an important source of human Capital formation. Educated persons become more efficient and productive.**

**2. Training: - Technical training adds to the capacity of the people to produce more.**

**3. Health: - Health is another important source of human capital formation. This includes health care services like hospitals, medicines etc. and medical education to provide personnel for creation and maintenance of health facilities. A good health increases the physical capacity of human beings.**

**4. Migration** - People sometime migrate from one place to another in search of better Job. We normally find two types of migration (a) migration of People from rural area to urban areas in India.

(b) Migration of technical Personnel from India to other countries of the world (such as engineers, doctor, IT professional etc.)

**5. Acquiring important information relating to labour market:**

- People seek information regarding salaries, and other facilities available in different labour markets so that they can choose the right job. Expenditure on acquiring all sorts of information regarding labour market and other market like education and health also becomes an important source of Capital formation.

**ROLE AND IMPORTANCE OF HUMAN CAPITAL IN ECONOMIC DEVELOPMENT**

**1. Increases Production:** - knowledgeable and skill worker can make better use of resources. It will increase the production in the economy. An educated and trained person can apply his knowledge skill at farm, factory and office to increase production. In the same way a healthy person can contribute more to the production than unhealthy man.

**2. Increases efficiency and productivity:** - Human Capital formation also increases the productivity of Physical Capital. Thus, education and training improves and upgrades technologies that help in raising the level of efficiency and productivity in the economy.

Similarly, improvement in health also contributes to the level of efficiency and productivity.

**3. Changes in outlook and attitudes:** - knowledgeable, skilled and healthy the people are a powerful instrument of Change in the society. It also facilitates and encourage invention, innovation and new technologies. All these changes are conducive to the development.

**4. Improves quality of life:** - Quality of life means, skilled, intelligent, efficient and healthy manpower. The quality of population depend upon the level of education, health of a person, and skill formation acquired by the people. Illiterate, unhealthy, unskilled and untrained population are a liability of the economy. It cannot contribute much in the development of the country.

## **HUMAN CAPITAL AND HUMAN DEVELOPMENT**

<b><u>HUMAN CAPITAL</u></b>	<b><u>HUMAN DEVELOPMENT</u></b>
<b>1. Human Capital Considers education and health as a means to increase labour productivity.</b>	<b>1. Human development is based on the idea that education and health are integral to human well - being because only when people have the ability to read and write and the ability to lead a long and healthy life, they will be able to make choices which they value.</b>

<p><b>2. Human Capital treats human beings as a means to an end; the end the increase in productivity. Therefore, if the investment in education and health does not increase Output, it is regarded as unproductive.</b></p>	<p><b>2. In the human development perspective, human being are ends in themselves. Human welfare should be increased through investments in education and health even if such investments do not result in higher labour productivity.</b></p>
<p><b>3. Human capital refers to the investment in education, health, clean environment etc.</b></p>	<p><b>3. Human development is a process of widening people's choices as well as the level of wellbeing raising is achieved.</b></p>

## **EDUCATION**

**Education plays the most important role in the development of human resources. Education prepares people for the ever - changing situations by developing appropriate values, aptitude, knowledge and skill. It provides the economic development of the country. Hence, the main task of education is the development of the human resources.**

**General education raises the level of understanding of the people and technical education makes significant contribution in raising efficiency and productivity. Education go promotes rational and scientific outlook for consciousness nation society and development. It the solution of problem faced by the country. It also enables people to make better choice in life and provides knowledge to understand the changes taking place in the society. Thus, education regarded as important input for the development of a nation. Because of all these**

**reasons a suitable and comprehensive education system is essential for the development of a country.**

## **1. Elementary Education**

**The National Policy on Education envisaged that free and compulsory education should be provided to all children up to the age of 14 before the commencement of 21st Century. As a result of the efforts made by the government, 94 % of the country's rural population have primary schools within one km. At the upper primary stage, 84 % of population have schools within a distance of 3 km. Number of primary and upper primary school have gone up from 2.23 lakh in 1950-51 to nearly 10.42 lakh in 2004-05.**

**(i) Sarva Shiksha Abhiyan: The scheme of Sarva Shiksha Abhiyan was launched in 2001. The goals of SSA are**

- a) All children in School by 2005.**
- b) Bridging all gender and social category gap**
- c) Focus on elementary education of satisfactory quality with emphasis on education for life.**

## **2. SECONDARY EDUCATION**

**Since Universalisation of elementary education has become an important goal, it is also essential to push this vision forward to move towards universalisation of secondary education. The main objective of the programme is to make secondary to education of good quality available, accessible and affordable to all young students.**

## **VOCATIONAL EDUCATION**

**The National Policy on Education (NPE) 1986 accords high priority to Vocationalisation of education at the secondary stage. About 150 Vocational Courses has been introduced in six major areas in agriculture, business and commerce, engineering and technology, health and Paramedical, home science, humanities and others.**

## **Integrated Education for Disabled Children**

**The scheme of the Integrated Education for Disabled children (IEDC) was launched in 1974. Its main aim is to provide educational opportunities for disabled children in the general school system so as to facilitate their retention and integration in the system. The components includes educational aid, supporting equipment's, salaries for special teachers and facilities for children with disability.**

## **3. University and Higher Education**

**University Grant Commission was established in 1956. It takes measures for promotion and coordination of university education and determination and maintenance of standards in teaching, examination and research in universities and allocation and disbursement of grants to them.**

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