

# Chapter

## Human capital formation in India

- ❖ Skilled and efficient human resources are called human capital, e.g. Doctors, engineers, etc.
- ❖ Investment in education is considered as one of the main sources of human capital, others are:
  - ❖ Investments in health
  - ❖ job training
  - ❖ Migration
  - ❖ Information

### Physical and Human Capital

Both forms of capital formation are outcomes of conscious investment decisions. The decision regarding investment in physical capital is taken based on the entrepreneur's knowledge in this regard. The entrepreneur possesses the knowledge to calculate the expected rates of return and then rationally decides which one of the investments should be made. Physical capital formation is mainly an economic and technical process.

Human capital formation takes place in one's life. The peers, educators, and society influence the decisions regarding human capital investments. Human capital formation is partly a social process and partly a conscious decision of the possessor of the human capital.

### Human Capital and Economic Growth:

Economic growth means the increase in real national income of a country; naturally, the contribution of the educated person to economic growth is more than that of an illiterate person. A healthy person could provide labor supply for a longer period therefore health is also an important factor for economic growth. Education and health, job training, job market

information and migration, increase in the income-generating capacity of an individual. Education provides knowledge to understand changes in society and scientific advancements which helps invention and innovations. Thus economic growth in each sector has reinforced the growth of every other sector. Reports on the Indian economy, in recent times, have identified that India would grow faster due to its strength in human capital formation. Human capital treats human beings as a means to an end; the end is the increase in productivity. Human welfare should be increased through investments in education and health.

### **STATE OF HUMAN CAPITAL FORMATION IN INDIA**

- ❖ Human capital formation is the outcome of investments in education, health, job training, migration, and information. Of these education and health are very important sources of human capital formation.
- ❖ Expenditures on education and health make a substantial long-term impact on human capital formation. Expenditures on both education and health are to be carried out simultaneously.
- ❖ In India, there are various organizations in education and health, at the union and state level.
- ❖ National Council of Educational Research and Training (NCERT), University Grants Commission (UGC), and All India Council of Technical Education (AICTE) facilitate institutions that come under the education sector.
- ❖ Indian Council for Medical Research (ICMR) facilitates institutions that come under the health sector.
- ❖ In a developing country like India, with a large section of the population living below the poverty line, many of them cannot afford to access basic education and health care facilities.

### **Growth in Government Expenditure on Education**

- Government Expenditure on Education is expressed in two ways (i) as a percentage of 'total government expenditure' (ii) as a percentage of Gross Domestic Product (GDP).

- The percentage of 'education expenditure of total government expenditure' indicates the importance of education in the scheme of things before the government.
- The percentage of 'education expenditure of GDP' expresses how much of our income is being committed to the development of education in the country.
- Elementary education takes a major share of total education expenditure and the share of higher education is the least.

#### Educational Achievements in India

- ★ Educational achievements in a country are indicated in terms of adult literacy level.
- ★ Education for All is still a Distant Dream.

#### Gender Equity

- The differences in literacy rates between males and females are narrowing which is a positive development in gender equity.
- Still, we need to promote education for women in India because of improving the economic independence and social status of women.
- Women's education makes a favorable impact on the fertility rate and health care of women and children.

#### Higher Education

- The Indian education pyramid is steep, indicating the lesser and lesser number of people reaching the higher education level.
- The level of unemployment among educated youth is the highest.
- The government should increase allocation for higher education and also improve the standard of higher educational institutions.
- The economic and social benefits of human capital formation and human development are inseparable.