

Indian Economy

Human Capital Formation in India

Human Capital-

- Human Capital Refers to the stock of the 'skills and competencies' of a nation over a period of time. It is a sum of skill and expertise.
- Human Resource Development it is a process to add to the human capital over time.
- Concurrent Reference Refers to the stock of manufactured goods. Contains machinery, production plants etc.
- Big Money Species Means shares / shares of companies or these simple financial applications dealing with corporate assets.

Sources of Human Capital

- Costs in Education
- Health Expenses
- Workplace Training
- Adult Learning Programs
- Migration
- Information Costs

Human Capital Building and Economic Growth

- High Capacity Production Staff financing increases the productivity of specialized engineers and skilled workers who can handle equipment better than anyone else.
 - Developed Skills Facilitate the use and growth of innovative skills. New invention is the lifeblood of growth.
 - High Level of Partnership and Equality By improving the productivity of workers, the creation of staff creates greater employment.
- Therefore, there is a causal and causal relationship between human resource development and economic growth.

Problems facing the Human Capital Formation in India

- Population growth
- Brain drain
- Organizing the power of a needy man
- Standards of legal education

Human Capital and Human Development

Human power and human development are related concepts, but they are certainly not the same. Human money is a means to an end. Human development is the end of itself.

Education as an Important Part of Staff Development

It means a program to teach training and learning especially in schools or colleges, to develop knowledge and to develop skills.

Growth in the Education Sector in India

The following highlights the growth of the education sector in India

- Expansion of general education
- Primary education
- Higher education
- Higher education
- Performance of higher education activities

- Technical, medical and agricultural education
- Rural education
- Adult and adult education
- Total literacy campaign

Education is still a Challenge

The national education system and the following facts make education still a challenge in India.

Large Number of Uneducated

- Inadequate job training
- Sexual bias
- Low rural access rates
- Privacy
- Low government spending on education

Right to education (RTE) - In 2012, the Government of India introduced the Act, called RTE. It promises education for all. It makes education a right for all children aged 6-14.

The concept of capitalization, the source of human capital and its growth is discussed in a chapter. It also deals with human relations, economic growth and human development.

Concepts and Resources for Human capital formation

Just as a country can transform tangible resources such as earth into real money like factories, so it can transform human resources like students into engineers and doctors. When by increasing their product and efficiency. Therefore, human resource development aims to transform human resources into human assets.

Human Capital and Physical Capital

- People's Economy Refers to the stock of skills, skills, technology, education and knowledge in a nation over a period of time.
- Cash Flow All of the inputs required for additional production such as machinery, tools and equipment, factory buildings, etc. are called cash.

Difference between Physical and Human Capital

Basis	Physical Capital	Human Capital
Nature	It is tangible and can be easily sold in the market like any other commodity.	It is intangible, built in the body and mind of its owner. It is not sold in the market, only its services are sold.
Ownership	It is separable from its owner.	It is inseparable from its owner.
Mobility	It is completely mobile between countries except some artificial trade restrictions.	It is not perfectly mobile between countries as movement is restricted by nationality and culture.
Formation	It can be built even through imports.	It is to be done through conscious policy formulations.
Benefit	It creates only private benefit.	It creates both private and social benefits.

Human Capital Formation

It is a program to gain and increase the number of people * with the skills, education and knowledge necessary for economic and political development of the country.

In other words, population growth is the process of adding to the human economy over time.

G.M. Meier describes human capital development as, "capitalization is a process of gaining and increasing the number of people with skiff education and knowledge essential to the economic and political development of the country".

Sources of Human Capital

Educational investment is considered one of the most important sources of human resource development. There are several other sources as well. Health investment, job training, migration and information are some of the human resource resources.

These sources are discussed below

1. Expenses in Education

The cost of education is an important source of human resource development as it is the most effective way to develop and grow productive workers in the country.

Nations and individuals are deliberately investing in education

- Increase their future income.
- Producing technological skills and creating human resources, which are well suited to improving labour productivity and thus, sustaining rapid economic development.
- Tends to lower the birth rate, which in turn reduces the growth rate. It makes additional resources available to individuals.
- Education is also the result of social benefits as it spreads to others.

2. Health Expenses

Life is another important source of staff building. A sick worker who is unable to access medical facilities is forced not to go to work and when he loses a product. Different types of health costs are preventive medicine, medical treatment, welfare medications, provision of clean drinking water, etc.

3. on the job training

The costs associated with on-the-job training are a source of human resource development as the reimbursement of such costs in the form of improved labour productivity is more than your cost.

Firms spend a lot of money on providing on-the-job training to their employees. It could be in a variety of ways, such as whether an employee can be trained at the company itself or under the supervision of a competent employee or be sent for training off-campus.

4. Migration

Sometimes people move from one place to another in search of better jobs that earn them higher wages than they can earn in their own areas. It involves the migration of people from rural areas to urban areas in India. Unemployment is the reason for the migration of rural cities in India and technically trained people migrate from one country to another in order to earn higher wages.

5. Expenditure of Information

People who have been deprived of access to information related to the labour market and other markets such as education, health, etc.

For example, people want information about salaries and other services available in the various job markets, so that they can choose the right job. The costs incurred in obtaining information on labour markets and other markets such as education and health have become an important source of human capital.

Economic Growth and state of human capital Composition in India

Human capital and Economic Growth

India has long recognized the importance of human resource development in economic growth. The Seventh Five-Year Plan states, 'Human resource development should play a key role in any development strategy, especially in a densely populated country'.

The following points clearly show the dependence between the two

- High-Capacity Production Human capacity increases the productivity of tangible income as skilled workers are better able to manage machinery or strategies than unskilled jobs. This increases productivity as well as productivity leads to economic growth.
- Advanced Skills Human Capital Skills facilitate the development of new production methods and this increases the rate of economic growth in the form of GDP growth.
- High Level of Participation and Equity Staffing leads to a high level of employment. With job growth, productivity increases. Also, increased employment opportunities also increase income levels and this helps to reduce wealth inequality.
- Both the increase in employment and the decline in income inequality are indicators of economic development.
- It Brings a Positive Perspective the staffing process brings a positive impression to the community that differs from conventional and conventional thinking processes, and that increases the level of participation of employees resulting in an increase in productivity.

India as a knowledge Economy

The Indian software industry has been showing an impressive record over the past decade. Entrepreneurs, officials and politicians are now developing ideas for how India can transform itself into a knowledge-based economy through Information Technology (IT).

There have been instances where villagers use e-mail cited as examples of such change. Likewise, electronic governance is regarded as a means to the future.

The value of IT depends largely on the level of economic development.

Human capital and Human Development

Human development is a broader term than the population.

The human economy sees education and health as a way to increase job creation. Human development is based on the idea that education and health are essential to human well-being because once people are able to read and write and the ability to live a long and healthy life, they will be able to make other choices they like.

From a human point of view, any investment in education and health does not produce, if at all, does not increase the productivity of goods and services. From a human standpoint, humans are unique. Therefore, basic education and basic health are important in themselves, regardless of the contribution they make to the workforce. Deutsche Bank and the World Bank report on the Indian economy.

- According to two independent reports one from Deutsche and the World Bank has indicated that India will grow rapidly due to its potential in human capital.
- According to a report by Deutsche Bank (German bank) on Global Growth Centres, it has been determined that India will emerge as one of the four largest growth centres in the world by 2020. The report also states that between 2005 and 2020, we expect a 40% increase in India's average years of education, a little over 7 years.
- Report of the World Bank of India and the Power and Opportunities to Acquire Information Technology
- States that India must make a change in the knowledge economy and if it uses its knowledge as Ireland does, India's per capita income will increase from just over US \$ 1000 in 2002 to US \$ 3000 by 2020.

- It also states that the Indian economy has all the necessary ingredients for this change as a large workforce, a well-functioning democracy and a diverse scientific and technological infrastructure. So two reports point to the fact that further labour creation in India will boost its economy to a higher level of growth.

Problems of human capital formation

The main problems of human resource development in India are

- **Population growth** Rapid population growth has a negative impact on the quality of human capital management in less developed and developing countries like India. Reduce the availability of per capita on available resources such as sanitation, employment, sanitation, water system, housing, hospitals, education, education, nutrition, nutrition, roads, electricity, etc.
- **Brain Drain** Migration of highly skilled workers called 'brain drain'. This slows down the process of creating workers in the local economy.
- **Inefficiency of Personnel Planning Programs** There are ineffective staffing arrangements in less developed countries where no efforts have been made to increase the quality of education at various levels in order to maintain the demand and provision of technical staff. It is a sad reflection of the loss of human energy and ability.
- **Long-term process** the human development process is a long-term policy because skills development takes time. The process of producing skilled workers is slow. This also lowers our level of competition in the international human market.
- **Poverty Levels** The vast majority of people live below the poverty line and do not have access to basic health and education facilities. The vast majority of the population cannot afford higher education or expensive treatment for major ailments.

Human Development Index

The Human Development Index (HDI) is a combination of life expectancy statistics, and income indicators measure countries into four stages of human development.

It was founded by economist Maybug Ul Haq, followed by economist Amartya Sen in 1990, and published by the United Nations Development Program. India ranks 136th in the World Human Development Index.

Sector Education in India

Education means the process of teaching, training and learning especially in schools or colleges, developing knowledge and developing skills.

The following points explain the importance or purpose of education

- It produces good citizens.
- Improves science and technology.
- Allows the use of natural resources and human resources for all regions of the country.
- It increases people's mental capacity.

Growing Government Expenditure on Education

Government spending on education can be expressed in two ways

- As a 'percentage' of total government spending.
- As a percentage of gross domestic product (GDP).

Percentage of 'total state expenditure on education' indicates the importance of education in the public expenditure plan. The cost of education in our GDP reflects our commitment to improving education in our country.

During 1952-2010, the cost of education as a percentage of total government expenditure increased from 7.92% reached 11.1% and as GDP percentage increased from 0.64% to 3.25%. During this time the spending on education has not changed. There were some unusual ups and downs.

Expenditure on elementary education in India

Primary education takes up a large portion of the total cost of education and the proportion of higher / higher education is very small. But the cost of each student in higher education is higher than that of elementary schools.

As we expand school education, we need more teachers trained in tertiary institutions; therefore, the cost at all levels of education should be increased. The tuition fee per person is as high as Rs. 2005 in Himachal Pradesh to less than Rs. 515 in Bihar.

This leads to diversified educational opportunities in all provinces.

Free and Compulsory Education

The Education Commission (1964-66) had suggested that at least 6% of GDP should be spent on education in order to achieve significant growth in education.

In December 2002, the Government of India, through the 86th Amendment to the Constitution of India, made free and compulsory education the basic right of all children in the age group of 6-14 years. The Indian government in 1998 was elected. The Tapas Majumdar Committee, which estimated spending 1.37 lakh crore over 10 years (1998-99 to 2006-07) to bring all Indian children in the age group 6-14, under the school education policy. The level of cost required for education is 6% of GDP but the current level is just over 4% which is not enough. It is necessary to reach the 6% level that is considered appropriate in the coming years.

Recently, the Government of India began levying 2% 'tuition fees' on all Union taxes. Revenue from the education agreement is set aside for use in primary education.

Educational Achievements in India Generally, educational achievements in the country are indicated in terms of

- Adult literacy rate
- Primary school graduation rate
- Youth literacy rate these figures for 1990 to 2010 are presented in the following table.

Educational Attainment in India

Particulars		1990 (%)	2000 (%)	2005-10 (%)
Adult Literacy Rate	Male	61.9	68.4	76.7
	Female	37.9	45.4	54.9
Primary Completion Rate	Male	78	85	96
	Female	61	69	95
Youth Literacy Rate	Male	76.6	79.7	88
	Female	54.2	64.8	74

Prospects for the Future

The Indian government views education as an important sector where greater growth is needed as well. Therefore, it has set future opportunities to formulate its policies.

These expectations are discussed below

Education for All: Still a Long-Term Dream- Although the standard of education in India has risen for both adults and youth. Yet the number of illiterate people in India is equal to the number of people at the time of independence.

In 1950, when the Constitution of India was passed by the governing body, it was noted in the constitutional guidelines that the government should provide free and compulsory education for all children up to the age of 14 within 10 years from the start. Of the constitution.

The following things make education a long-term dream

- Large number of illiterate people
- Inadequate job training
- Sexual bias
- Low rural access rates
- Privacy
- Low government spending on education

Gender Equality: Better Than Ever- The differences in literacy rates between men and women are getting smaller, which indicates a positive improvement in gender equality; still the need to improve education for women in India is imminent for a variety of reasons, such as

- Improving economic independence.
- The status of women in society.
- Health care for women and children.

Therefore, we cannot be satisfied with the increase in literacy rates as we have miles left to achieve 100% adult literacy. In India, Mizoram, Kerala, Goa and Delhi are the provinces with the highest literacy rates, while Bihar, Uttar Pradesh, Rajasthan and Arunachal Pradesh are the most academically lagging provinces. Educational backlogs are due to social and economic poverty.

Higher Education: Fewer People Take- an Indian education pyramid is a steep climb, which reflects a small and growing number of people reaching higher education. According to the NSSG (National Sample Survey Organization) data for 2007-08, the unemployment rate among young people in higher and higher education was 18.1% and the unemployment rate for young people up to primary school level was 18.1%. Only 11.6%.

Therefore, the government should increase the share of higher education and improve the quality of higher education institutions, so that students can be provided with employment skills at such institutions.

Q1. Human Capital consists of:

- (a) Entire population
- (b) Workers
- (c) Entrepreneurs
- (d) Both workers and entrepreneurs

Q2. ____ five-year plan recognized the importance of Human capital.

- (a) Seventh
- (b) Third
- (c) Eight
- (d) Sixth

Q3. In India, which of the following organizations regulates the health sector?

- (a) ICMR
- (b) UGC
- (c) AICTE
- (d) None of these

Q4. Which one of the following is an indicator of educational achievement in a country?

- (a) Youth Literacy Rate
- (b) Adult Literacy Rate
- (c) Primary Completion Rate
- (d) All of these

Q5. In the year _____ Indian Government made free and compulsory education for age group of 6 – 14 years.

- (a) 2001
- (b) 2009
- (c) 2003
- (d) 2007

Q6. How much educational cess has been imposed by the government on all union taxes?

- (a) 1 percent
- (b) 2 percent
- (c) 4 percent
- (d) None of these

Q7. What is the full form of ICMR?

- (a) International Council of Medical Research
- (b) Indian Council for Medical Resources
- (c) International council of Medical Resources
- (d) Indian Council of Medical Research

Q8. What is the desired level of public expenditure on education as per education commissions?

- (a) 6%
- (b) 10%
- (c) 7%
- (d) 8%

Q9. Physical capital refers to _

- (a) Stock of tangible input of production
- (b) process of acquiring and increasing the number of people who have the skill
- (c) Share of the companies
- (d) All of the above

Q10. Which among the following is incorrect with regard to the positive aspect of human capital formation?

- (a) Improves technical knowledge
- (b) Increases productivity
- (c) Changes the social outlook
- (d) Increases the cost of production

Q11. The responsibility of direction and control of higher education is with:

- (a) Government of India
- (b) Department of Higher Education
- (c) University Grants Commission
- (d) None of these

Q12. Demographic dividend means _____.

- (a) The growth that can occur when a country's population has a large number of people in the working-age bracket
- (b) The growth that can occur when a country's population has a large number of people not in the working-age bracket
- (c) Both a and b are correct
- (d) Both a and b are incorrect

Q13. Which of the following agencies is responsible for implementing the rules and regulations for technical education?

- (a) Indian Council of Medical Research (ICMR)
- (b) All India Council of Technical Education (AICTE)
- (c) University Grants Commission (UGC)
- (d) National Council of Educational Research and Training (NCERT)

Q14. Which of the following statements about education expenditure is accurate?

- (a) Elementary levels take up the major share of total educational expenditure in India
- (b) Tertiary levels take up the major share of total educational expenditure in India
- (c) Secondary levels take up the major share of total educational expenditure in India
- (d) Higher levels take up the major share of total educational expenditure in India

Q15. Match and choose the correct combination.

(i) Preventive medicine	(A) medical intervention during illness
(ii) Curative medicine	(B) vaccination
(iii) Social medicine	(C) the spread of health literacy

- (a) (i) – (B); (ii) – (A); (iii) – (C)
- (b) (i) – (A); (ii) – (B); (iii) – (C)
- (c) (i) – (C); (ii) – (B); (iii) – (A)
- (d) (i) – (B); (ii) – (C); (iii) – (A)

Q16. What was the share of education in total government expenditure in 2014?

- (a) 15.7 percent
- (b) 7.92 percent
- (c) 0.64 percent
- (d) 3.31 percent

Q17. What percent of GDP was invested in education in the year 1952?

- (a) 7.92 percent
- (b) 11.7 percent
- (c) 0.64 percent
- (d) 3.31 percent

Q18. Which of the following is not the role of on-the-job training?

- (a) Eradicates inequality
- (b) Encourages innovation
- (c) Promotes modern methods
- (d) Enhances productivity

Q19. What was the average youth literacy rate in 2015?

- (a) 89.5 percent
- (b) 74 percent
- (c) 88 percent
- (d) 95.5 percent

Q20. A large number of engineers and skilled workers can certainly handle the machine and other productive assets in a better way. The above statement highlighted which role of human capital

- (a) Higher productivity of physical capital
- (b) Change in emotional environment
- (c) Innovative skills
- (d) Higher rate of participation

Q21. As per census 2011, the literacy rate in rural India is about:

- (a) 69.04%
- (b) 85%
- (c) 74.04%
- (d) 60%

Q22. What was the approximate female literacy in 2017?

- (a) 72%
- (b) 60.02%
- (c) 66%
- (d) 65.46%

Q23. People as a resource means

- (a) country's natural capital in terms of their existing productive skill
- (b) country's human capital in terms of their existing productive skill
- (c) country's overall capital in terms of their existing productive skill
- (d) country's technical capital in terms of their existing productive skill

Q24. Which of the given states respectively has the highest and lowest literacy rate in India?

- (a) Kerala and Bihar
- (b) Kerala and Punjab
- (c) Madhya Pradesh and Bihar
- (d) Karnataka and Punjab

Q25. If _____ Capital represents the production capacity of a nation, _____ capital is the cause that designs machines.

- (a) Human, physical
- (b) financial, human
- (c) Physical, human
- (d) Physical, financial

Q26. Education Commission (1964 – 66) recommended _____ percent of GDP to be spent on education whereas the current level is _____

- (a) 6% and 4.6% respectively
- (b) 5% and 3.8% respectively
- (c) 7% and 6% respectively
- (d) 6% and 5.8% respectively

Q27. World Bank in its report 'India and the Knowledge Economy leveraging strengths and opportunities advised India to make a transition to _____

- (a) Knowledge economy
- (b) agrarian economy
- (c) industrial economy
- (d) a mix of the above three

Q28. Investment in human capital contributes to growth by

- (a) Providing effective utilization of the physical capital
- (b) raises the level of both production and productivity
- (c) promotes innovations and creates the ability to apply new technologies
- (d) All of the above

Q29. The government's initiatives to improve education in India include

- (a) Provision of Cess
- (b) Right of Education
- (c) Promoting education
- (d) all of the above

Q30. Under Human capital formation, people migrate

- (a) From a rural area to an urban area
- (b) from an urban area to a rural area
- (c) from a foreign country to home country
- (d) All of the above

Q31. Which of the following is not an indicator of education level?

- (a) Years of schooling
- (b) Life expectancy
- (c) Teacher-pupil ratio
- (d) Enrollment rate

Q32. The human development index rank of India in 2020 is

- (a) 120
- (b) 131
- (c) 154
- (d) 108

Q33. Which programme started in 1994?

- (a) Mid-day meal
- (b) Kasturba Gandhi Balika Vidyalaya
- (c) District Primary Education Programme
- (d) None of these

Q34. As per education data, which of the following state has the highest literacy rate in India?

- (a) Delhi
- (b) Kerala
- (c) Mizoram
- (d) Goa

Q35. Which of the following statements is true about human capital?

- (a) Human resource and human capital are related to each other
- (b) Human development and human capital are related to each other
- (c) Both a and b are correct
- (d) Both a and b are incorrect

Q36. Which of the following statements is not true about the education levels?

- (a) Years of schooling is an indicator of the education level of an individual
- (b) Teacher pupil ratio is an indicator of the education level of an individual
- (c) Enrollment rate is an indicator of the education level of an individual
- (d) Life expectancy is an indicator of the education level of an individual

Q37. Which of the following is not the feature of India Vision 2020 Report?

- (a) 90% of literacy in India
- (b) If we double the investments in education, it will increase the country's GDP per capita by four times
- (c) 100 % enrolment of all children of age group 6-14 years
- (d) Importance of technical education

Q38. The objective of midday meal scheme is

- (a) to boost universalization of primary education
- (b) to boost the nutritional status of children in schools
- (c) to increase enrolment attendance and retention, and also improving the nutritional status of children in school
- (d) to boost universalization of upper primary level of education

Q39. GER stands for

- (a) General Enrolment Ratio
- (b) Gross Enrolment Ratio
- (c) General Estimated Ratio
- (d) Gross Education Ratio

Q40. The most important indicator of the status of education of a country is the

- (a) Death rate
- (b) Population rate
- (c) Birth rate
- (d) Literacy rate

SOLUTIONS

S1. Ans. (d)

S2. Ans. (a)

Sol. The seventh five-year plan recognized the importance of human capital. It says "Human resource development has assigned a key role in any development strategy, particularly in a country with a large population".

S3. Ans. (a)

Sol. In India, health sectors are regulated by health ministers at the union and state level. The departments of health, various organizations like ICMR, AICTE, and NCERT etc. ICMR (Indian Council for Medical Research): This organization formulates the rules and regulations relating to education and research in health sector.

S4. Ans. (d)

Sol. 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.

S5. Ans. (b)

Sol. The Right to Education Act 2009, also known as the RTE Act 2009, was enacted by the Parliament of India on 4 August 2009. It describes modalities of the importance of free and compulsory education for children aged between 6-14 years in India under Article 21 (A) of the Constitution of India.

S6. Ans. (b)

Sol. For instance, both corporate and individual income is at present subject to an education cess of 2%. The government had also imposed another 1% cess in FY08 to finance secondary and higher education. So, the total education cess currently stands at 3%.

S7. Ans. (d)

S8. Ans. (a)

S9. Ans. (a)

Sol. Physical capital consists of tangible, human-made objects that a company buys or invests in and uses to produce goods. Physical capital items, such as manufacturing equipment, also fall into the category of fixed capital, meaning they are reusable and not consumed during the production process.

S10. Ans. (d)

S11. Ans. (b)

Sol. The Department of Higher Education, MoE, is responsible for the overall development of the basic infrastructure of the Higher Education sector, both in terms of policy and planning.

S12. Ans. (a)

S13. Ans. (b)

S14. Ans. (a)

S15. Ans. (a)

S16. Ans. (b)

S17. Ans. (c)

S18. Ans. (d)

S19. Ans. (a)

S20. Ans. (a)

S21. Ans. (c)

S22. Ans. (d)

S23. Ans. (b)

Sol. People as Resource are a way of referring to a country's working people in terms of their existing productive skills and abilities.

Human resource is different from other resources in many senses. Human resources need education, training and healthcare to develop. On the other hand, land and physical capital need money and physical inputs to develop. Land and physical capital are useless without human resources.

S24. Ans. (a)

Sol. India's Kerala is the most literate state of our great country. While it is sad to say that Bihar is the least literate state of our country. Kerala has a literacy rate of 94% while Bihar has about 62%.

S25. Ans. (c)

S26. Ans. (a)

S27. Ans. (a)

S28. Ans. (d)

Sol. Human capital allows an economy to grow. When human capital increases in areas such as science, education, and management, it leads to increases in innovation, social well-being, equality, increased productivity, improved rates of participation, all of which contribute to economic growth.

S29. Ans. (d)

S30. Ans. (a)

S31. Ans. (b)

S32. Ans. (b)

S33. Ans. (c)

S34. Ans. (b)

S35. Ans. (b)

S36. Ans. (d)

S37. Ans. (a)

S38. Ans. (c)

S39. Ans. (b)

S40. Ans. (d)

Sol. Higher the percentage of adult literacy rate, higher the educational achievement in a country. This rate is the most important indicator for a country as it indicates the percentage of the population that can participate in the economic activity of the country.