

ECONOMICS

CLASS XI

CHAPTER FOUR

HUMAN CAPITAL FORMATION IN INDIA

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

Two major sources of human capital in a country are

1. **Health:** Health is one of the most important sources of human capital. Healthy individuals can contribute to human capital formation by being more active and energetic.
2. **Education:** Education plays an important role in human capital formation; an educated individual will be better equipped to learn modern technology and increase the overall productivity of the nation.

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

Some of the indicators of educational achievement in a country are as follows:

1. **Primary Education Completion Rate:** This rate shows the percentage of students who have completed their last year of primary education. It includes students who studied in Classes 1 to 8 and are between the age group 6 to 14 years. It has been shown that a lower primary education completion rate is instrumental in a lower youth literacy rate and, correspondingly lower adult literacy rate.
2. **Youth Literacy Rate:** This highlights the rate of literate people between the ages of 15-24 who are able to read and write. As the youth are the pillar of a nation, the more this segment is educated, the more will be the development of the nation.
3. **Adult Literacy Rate:** It refers to all the literate population who are more than 15 years of age. It is expressed as a percentage, and the higher the literacy rate, more the employment opportunities. This category is very important as a literate population will be better equipped to perform many tasks. It is an important

indicator that indicates the number of people who can actively participate in economic development activity.

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

In India, there are many religions, cultures and communities. Each state of India is different from the other one, and therefore, regional differences exist, which cause hindrances in attaining education in our country. We see that some regions lack the proper facilities required to sustain education, while in some states, there are very high literacy rates. People in less educated states are mostly involved in agriculture or any other informal sector, and hence do not value education that much. It is also due to the low standard of living and poverty that people prefer not to educate children and make them involved in informal sectors. This explains the regional difference that is prevalent in India in the case of education.

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

Human Capital

1. Human capital takes into account health and education as a source of increasing labour productivity.
2. Human capital is a comparatively narrow concept that treats human beings as a medium to generate high productivity. As per this concept, investing in education and health is said to be unproductive if it does not result in enhancing output.

Human Development

1. This concept is based on the idea that health and education are integral parts of human well-being.
2. This is a broader concept that believes that development is said to have happened when the majority of people in a country are healthy and educated.

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

Human development deals with the development of individuals by getting a good education and living in a healthy way. Human development is said to have occurred when most of the people of a country or economy are healthy and educated, whereas, in the case of human capital, the focus is on health and education as a medium to make the person a better individual in terms of productivity. Human capital focuses on human beings and their productivity, while human development is focused on prosperity that results from health and education. Therefore, human development is a broader concept than human capital.

6. What factors contribute to human capital formation?

The following factors contribute to human capital formation:

1. **Expenditure on education:** Education elevates social status. It also enables an individual to enhance productivity and gain the ability to learn new technologies. An educated population helps in raising the economy of a nation to good heights.
2. **Expenditure on health:** Expenditure on health increases productivity, efficiency and efficacy of the population. A healthy person will be able to function more productively and will be considered an asset to the nation.
3. **On-job-training:** Training helps in acquiring a skill in a better way and is one of the most efficient methods to increase productivity. Training sets the ground for further learning and helps one become skilled.
4. **Migration:** Migration refers to the mass movement of people from underdeveloped or developing nations to countries which are developed. It helps to utilise the skills of the individual and helps in perfecting them. These skills can be transferred to an underdeveloped country, which will help in the growth of a nation.
5. **Information:** Information related to the extent of availability of admissions, jobs and salaries play a vital role in determining human capital. Proper information helps attract the best students as per their field of interest; in the same way, the availability of medical information helps keep one safe.

Therefore, spreading information is critical for the effectiveness of human capital.

7. How do government organisations facilitate the functioning of schools and hospitals in India?

Government organisations are essential for maintaining the system of education in India by availing education facilities available. Education and health sectors have long gestation periods, and for such sectors, funding and intervention of government are required in order to make facilities available for the masses and, thereby, help the weaker sections of society to gain access to better education and healthcare. In India, the following organisations facilitate the functioning of schools and hospitals.

1. The NCERT, which stands for National Council of Education Research and Training, is the organisation that creates curricula for the students of classes up to 12 in India.
2. The UGC, or University Grants Commission, is the prime authority in issuing university statuses to educational institutions.
3. The AICTE, or All India Council for Technical Education, is the apex body for technical education in India.
4. The National Institute of Health and Family Welfare is responsible for promoting family welfare and health programmes across the country.
5. The ICMR, or India Council for Medical Research, is the body which regulates research and education in the health sector.

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

The development of a country is very much dependent on the level of education of the people residing in it. These points show the importance of education for a nation:

1. Educated population will be much more productive with skills and quality that can be utilised to earn sufficient income and develop human capital.

2. Education helps people to make a decision rationally. It helps in building society and developing good citizens.
3. An educated population will be having a greater acceptance of modernisation and will be adopting newer techniques. It helps in the growth of the economy.
4. Educated population will have a common level of income, and hence, the income distribution will not be skewed.
5. Education provides the ability to generate income which results in an improvement in quality of life and living standards.

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

(i) Health infrastructure

(ii) Expenditure on migration

(i). Health Infrastructure: Health is an important medium of human capital formation. A healthy country will contribute more to GDP. When the investment in healthcare increases, the productivity and efficiency of the organisation also increase. The population will be able to better equip themselves. A country with better health will have access to labour all year round. Also, it will lead to better medical facilities and knowledge, which will help towards managing a productive workforce.

(ii). Expenditure on Migration: Migration helps in the formation of human capital by utilising the underdeveloped or inactive skills of an individual. Migration is done with the intent of earning more money and better opportunities in an area where abundant resources are available. It helps underdeveloped countries in acquiring technical skills and transferring knowledge to the people back in the country, which helps in the growth of the human capital of the home country.

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

Information related to the availability of jobs, salaries and admissions is important in determining human capital. Such information helps people make better decisions that will suit their knowledge and skills. The investment made in health helps to improve people's well-being, life expectancy, efficiency and

quality of life. Use of medical information results in a healthy workforce. The lack of information in these is minimised, which helps in the effective utilisation of the available human resources.

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

Human capital and economic growth are interrelated to each other, as capital formation helps in speeding up economic growth and facilitates the formation of human capital. The relation between economic growth and human capital formation is given below:

1. A skilled worker will enhance productivity which will result in better production and numbers. The immediate impact of high-quality goods is revenue generation which helps in the growth of an economy.
2. An educated and skilled worker may come up with innovative solutions which will result in a reduction of cost and process optimisation. It will result in economic growth.
3. People with higher technical skills are able to motivate more to follow the same path, and this brings involvement which will help in the economic growth and development of the nation.

12. There is a downward trend in inequality worldwide with a rise in the average education levels. Comment.

Access to better education is essential for reducing the inequalities of income. Having an education makes a person possess more skills and abilities, which raises income and improves the living standard and quality. Income distribution has become less pronounced. The importance of education is being understood; therefore, governments of different countries have started investing in education in order to elevate the status of its peoples. Rising education levels has led to a reduction in inequality.

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

Education plays the following role in the development of a nation:

1. Education helps people in developing skills which help enhance productivity and lead to an increase in earning capacities.

2. Education helps in the development of the mental ability of people, which will help in making rational choices. Good values are imbibed with education.
3. An educated person will accept modernisation and modern techniques which are beneficial for the economy.
4. It increases income earning capacity and reduces the skewed distribution of income in society.
5. It increases the participation of people and helps in the growth of the economy and the development of people as a whole.
6. Education not only helps with studies, but it helps develop an economy and solve other interrelated issues, such as population, poverty and resource underutilisation.

14. Explain how investment in education stimulates economic growth.

Investment in education helps stimulate economic growth in the following ways:

1. Education helps people in developing skills which help enhance productivity and lead to an increase in earning capacities.
2. Education helps in the development of the mental ability of people, which will help in making rational choices. Good values are imbibed with education.
3. An educated person will accept modernisation and modern techniques which are beneficial for the economy.
4. It increases income earning capacity and reduces the skewed distribution of income in society.
5. It increases the participation of people and helps in the growth of the economy and the development of people as a whole.
6. Education not only helps with studies, but it helps develop an economy and resolve other interrelated issues, such as population, poverty and resource underutilisation.
7. It raises the standard of living of people.

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

On-the-job training is one of the most effective training that can be given to a trainee that enables them to learn technical skills. The need for on-the-job training is to:

1. Boost the morale of employees and improve their efficiency of workers
2. It helps a person/trainee to know the values, culture, standards and norms of the organisation
3. Raw materials are utilised in a better way

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

Human capital can be linked to economic growth in the following ways:

1. A skilled worker will enhance the process, which will result in better production and numbers. The immediate impact of high-quality goods is revenue generation which helps in the growth of an economy.
2. An educated and skilled worker may come up with innovative solutions which will result in the reduction of cost and process optimisation. It will result in economic growth.
3. People with higher technical skills are able to motivate more to follow the same path, and this brings involvement which will help in the economic growth and development of the nation.

17. Discuss the need to promote women's education in India.

Indian society has always been skewed towards the female population in regard to education, and this has resulted in a low literacy rate among women. It has impacted the economy as a whole, as women, who are part of the economy, are unable to contribute significantly due to being treated as unequal. A nation can prosper with equal rights for both men and women. To achieve economic growth, the role of women is very important. Therefore, female education is necessary for the growth of society. The following points will help in promoting the same:

1. To improve economic stability, women should be educated.

2. Educating women is important, as it will help in raising the status of women in society and help in the growth of society.
3. A learned woman will inculcate the same values in the future generation.
4. An educated woman will be more conscious about health conditions which will result in better fertility rates.

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

Government intervention in the education and health sectors is needed for the following reasons:

1. As both public and private firms are operating in both health and education, there is a need for one regulatory body which should monitor their functions.
2. Cost of services provided by private firms is more which is not affordable by the weaker sections of society.
3. Private institutions at times cannot operate in remote areas, but the government can; hence, it will benefit those staying in remote places.
4. Government interference is required for underprivileged sections of society, such as SC and ST so that they get quality education and health facilities.
5. For the effective development of human capital, critical sectors like education and health should be taken care of by the government.
6. Education and health sectors have long gestation periods, and for such sectors, funding and intervention of government are required in order to make facilities available for the masses.

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

Problems associated with the human capital formation in India are

1. The ever-increasing population is exerting pressure on the limited resources that is available, which in turn is impacting the quality of life and reducing the capacity to acquire new skills and knowledge.

2. Migration plays a serious threat to the formation of human capital as the skilled and knowledgeable population shifts to areas which offer good sources of income. But, doing this creates a loss of human capital in developing countries.

3. Lack of workforce planning has resulted in the underutilisation of skills, and there has been no effort to address this issue, which has resulted in unemployment and underemployment.

4. Many institutions are offering an inferior quality education which is causing unequal distribution of knowledge and a lack of required skills. It is one of the significant bottlenecks in forming quality human capital.

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

Government intervention in education and health sectors is needed to regulate fee structure for the following reasons:

1. As both public and private firms are operating in both health and education, there is a need for one regulatory body which should monitor their functions.

2. Cost of services provided by private firms is more which is not affordable by the weaker sections of society.

3. Government interference is required for underprivileged sections of society, such as SC and ST, so that they get quality education and health facilities on par with the privileged.

4. For the effective development of human capital, critical sectors like education and health should be taken care of by the government.

5. Education and health sectors have long gestation periods, and for such sectors, funding and intervention of the government are required in order to make facilities available for the masses.

FILL IN THE BLANKS

1. _____ refers to the ability of human to contribute to the process of value-addition in the economy.(**Human Resource**)
2. Both human capital and _____ are related to each other.(**Human development**)
3. ____ is a much wider concept than literacy.(**Education**)
4. There is a growing trend towards _____ of education, which makes it expensive for poor people.(**Privatization**)
5. The enrolment ratio of female students in schools is _____and their drop- out ratio is____(**Less, High**)
6. _____ capital is tangible and can be sold in the market.(**Physical**)
7. _____ of human capital, refers to the ways of adding to the stock of capital.(**Sources**)
8. _____ on health makes human more efficient and productive.(**Expenditure**)
9. Institutions providing elementary education have increased _____times.
(**Five**)
10. .Human development is ____ of human welfare.(**An Index**)

MCQS QUESTION AND ANSWERS

1. 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

Answer: b

2. Which of the following statements is true about the importance of education?
- a. Education is important because it helps to expand the mental horizon of an individual
 - b. Education is important because it helps to develop the human personality
 - c. Education is important because it helps in the cause of economic development of the nation
 - d. All of the above

Answer: d

3. Which of the following statements is not a merit of human capital formation?
- a. Human capital formation plays an important role in improving technical knowledge
 - b. Human capital formation helps to expand the size of businesses
 - c. Human capital formation is important for the purpose of changing social outlooks
 - d. Human capital formation leads to an increase in the overall cost of production

Answer: d

4. 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

Answer: d

5. 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

Answer: a

6. Which of the following is correct about human resource?

- a. A person is a human resource if he/she is willing to work
- b. A person is a human resource if he/she is able to work
- c. A person is a human resource if he/she is from a particular age group
- d. All of the above

Answer: c

7. The expenditure on education by the Indian government _____.

- a. Is expressed as a percentage of the gross domestic product (GDP)
- b. Is expressed as a percentage of the total government expenditure
- c. Both a and b are correct
- d. Both a and b are incorrect

Answer: c

8. Which of the following is a major source of human capital formation in India?

- a. Expenditure on on-the-job training
- b. Expenditure on education
- c. Both a and b are correct

- d. Both a and b are incorrect

Answer: c

9. Which of the following statements about rural-urban migration is true?

- a. Illiteracy is one of the main reasons for rural-urban migration in India
- b. Inflation is one of the main reasons for rural-urban migration in India
- c. Lack of infrastructure is one of the main reasons for rural-urban migration in India
- d. Unemployment is one of the main reasons for rural-urban migration in India

Answer: d

10. Which of the following is an accurate definition of physical capital?

- a. Physical capital refers to the total stock of the tangible inputs of production like land and machinery
- b. Physical capital refers to the process of increasing and acquiring skilled people for the job
- c. Physical capital refers to the share of a company
- d. All of the above

Answer: a

11. Which of the following is the problem of human capital formation?

- a. Rising population is one of the main problems of human capital formation in India
- b. Brain drain is one of the main problems of human capital formation in India
- c. Low academic standards are one of the main problems of human capital formation in India
- d. All of the above

Answer: d

12. 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)

Answer: b

13. Which of the following is the meaning of people as a resource?

- a. It means that people are the natural capital of a country based on their existing skills
- b. It means that people are the human capital of a country based on their existing skills
- c. It means that people are the technical capital of a country based on their existing skills
- d. It means that people are the overall capital of a country based on their existing skills

Answer: b

14. Which of the following is not a source of transformation of human capital?

- a. Expenditure for building factories and machines
- b. Expenditure for migrating elsewhere looking for better employment opportunities
- c. Expenditure for training on the job to increase productivity
- d. All of the above

Answer: a

15. 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

Answer: a