

HUMAN CAPITAL FORMATION IN INDIA

The concept of physical capital is the base for conceptualising human capital. There are some similarities between the two forms of capital; there are some striking dissimilarities as well. See Box 5.1.

Human Capital and Economic Growth: Who contributes more to national income — a worker in a factory or a software professional? We know that the labour skill of an educated person is more than that of an uneducated person and that the former generates more income than the latter. 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. If a healthy person could provide



Look at Fig. 5.2 and discuss.

- (a) What are the advantages of having proper 'classroom'?
- (b) Do you think the children going to this school are receiving quality education?
- (c) Why these schools do not have buildings?

uninterrupted labour supply for a longer period of time, then health is also an important factor for economic growth. Thus, both education and health, along with many other factors like on-the-job training, job market information and migration, increase an



Fig. 5.2 *Creating human capital: a school being run in make shift premises in Delhi*

individual's income generating capacity.

This enhanced productivity of human beings or human capital contributes substantially not only towards increasing labour productivity but also stimulates innovations and creates ability to absorb new technologies. Education provides knowledge to understand changes in society and scientific advancements, thus, facilitate inventions and innovations. Similarly, the availability of educated labour force facilitates adaptation to new technologies.

Empirical evidence to prove that increase in human capital causes economic growth is rather nebulous. This may be because of measurement problems. For example, education measured in terms of years of schooling, teacher-pupil ratio and enrolment rates may not reflect the quality of education; health services measured in monetary terms, life expectancy and mortality rates may not reflect the true health status of the people in a country. Using the indicators mentioned above, an analysis of improvement in education and health sectors and growth in real per capita income in both developing and developed countries shows that there is convergence in the measures of human capital but no sign of convergence of per capita real income. In other words, the human capital growth in developing countries has been faster but the growth of per capita real income has not been that fast. There are reasons to believe that the



Fig. 5.3 *Scientific and technical manpower: a rich ingredient of human capital*

causality between human capital and economic growth flows in either directions. That is, higher income causes building of high level of human capital and vice versa, that is, high level of human capital causes growth of income.

India recognised the importance of human capital in economic growth long ago. The Seventh Five Year Plan says, "Human resources development (read human capital) has necessarily to be assigned a key role in any development strategy, particularly in a country with a large population. Trained and educated on sound lines, a large population can itself become an asset in accelerating economic growth and in ensuring social change in desired directions."

It is difficult to establish a relation of cause and effect from the growth of human capital (education and health) to economic growth but we can see in

TABLE 5.1

Select Indicators of Development in Education and Health Sectors

Particulars		1951	1981	1991	2001	2016-17
Real Per Capita Income (in Rs)		7,651	12,174	15,748	23,095	77,659
Crude Death Rate (Per 1,000 Population)		25.1	12.5	9.8	8.1	6.3
Infant Mortality Rate		146	110	80	63	33
Life Expectancy at Birth (in Years)	Male	37.2	54.1	59.7	63.9	67
	Female	36.2	54.7	60.9	66.9	70
Literacy Rate (%)		16.67	43.57	52.21	65.20	76

Source: Economic Survey for various years, Ministry of Finance, Government of India.

Table 5.1 that these sectors have grown simultaneously. Growth in each sector probably has reinforced the growth of every other sector.

The Draft National Education Policy 2019 states that “India aspires to take its place beside the United States and China as the third largest economy by 2030-2032... India is the sixth largest economy now and we will reach five trillion economy in five-seven

years taking us to fourth or fifth position. By 2030-2032 we will be the third largest economy at over ten trillion. Our ten trillion economy will not be driven by natural resources, but by knowledge resources. We have not looked ahead into the implications of being the world’s third largest economy. It will be a totally different environment. Ecosystems force us to think differently, and achieving this milestone will have ramifications all

across the country. Are we ready to take our place besides the USA and China as the top three largest economies of the world and be confident of sustaining it in the following years? To do this, we will need a knowledge society based on a robust education system, with all the requisite attributes and characteristics in the context of changes in knowledge demands, technologies, and the way in which society lives



Fig. 5.4 Job on hand: transforming India into a knowledge economy