

NCERT Solutions for Class-XI Economics

Chapter 5 - HumanCapital Formation in India

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

Sol. 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, 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 overall productivity of the nation.

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

Sol. Some of the indicators of Educational achievement in a country are:

- 1. Primary Education Completion Rate:** This rate shows the percentage of students who have completed last year of primary education. It includes students who studied in class 1 to 8 and are between the age group 6 to 14 years. It has been shown that lower primary education completion rate is instrumental in lower youth literacy rate and correspondingly lower adult literacy rate.
- 2. Youth Literacy Rate:** This highlights the rate of literate people between the ages 15-24 who are able to read and write. As youth are the pillar of a nation, the more this segment is educated, 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 will be 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 people who can actively participate in economic development activity.

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

Sol. In India, there are many religion, cultures and communities. Each state of India is different from the other one and therefore regional differences exists which causes 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 is 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 and 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 case of education.

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

Sol. Human Capital:

- 1. Human capital considers 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 part of human wellbeing.**
 - 2. This is a broader concept that believes that development is said to have happened when majority of people in a country are healthy and educated.**
- 5. How is human development a broader term as compared to human capital?**

Sol. Human development deals with development of individuals by getting 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 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?

Sol. Human capital Following factors contribute to Human capital formation:

- 1. Expenditure on education: Education elevates the social status. It also enables an individual to enhance productivity and gain the ability to learn new technologies. An educated population helps in raising 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 for 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 utilizing the skills of the individual and helps in perfecting it. These skills can be transferred to the underdeveloped country which will help in growth of that nation.**
- 5. Information: Information related to the extent of availability of admissions, job 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 availability of medical information helps keep one safe. Therefore, spreading of information is critical for effectiveness of human capital.**

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

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

- 1. NCERT which stands for National Council of Education Research and Training is the organisation that creates curriculum up to class 12th for students in India.**
 - 2. UGC or University Grants Commission is the prime authority in issuing university statuses to educational institutions.**
 - 3. AICTE or All India Council for Technical Education is the apex body for technical education in India.**
 - 4. National Institute of Health and Family welfare is responsible for promoting family welfare and health programmes across country.**
 - 5. ICMR or India Council for Medical Research is the body which regulates research and education in health sector.**
- 8. Education is considered an important input for the development of a nation. How?**

Sol. 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 utilized to earn sufficient income and develop human capital.**
- 2. Education helps the people to decide rationally. It helps in building the society and develop good citizens.**
- 3. An educated population will be having a greater acceptance of modernization and will be adopting newer techniques. It helps in the growth of 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 improvement of quality of life and living standards.**

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

Sol.

(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. Investment done on healthcare increases productivity, efficiency of the organisation. The population will be able to better equip themselves. A country with a better health will have access to labour all year round. Also, it will lead to better medical facilities, knowledge. Which will help towards managing a productive workforce.

(ii). Expenditure on Migration: Migration helps in formation of human capital by utilizing 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 the knowledge to the people back in the country that helps in growth of human capital of the home country.

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

Sol. Information related to availability of jobs, salaries and admissions are important in determining human capital. Such information helps people take better decisions that will suit their knowledge and skills. Investment made on health information helps in improving health, life expectancy, efficiency and quality of life of the people. Use of medical information results in a healthy workforce. Lack of information in these are minimized which helps in effective utilization of the available human resources.

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

Sol. Human capital and economic growth are interrelated to each other as capital formation helps in speeding up the economic growth and which facilitates formation of human capital. The relation between economic growth and human capital formation can be shown below:

- 1. A skilled worker will enhance the productivity which will result in better production and numbers, the immediate impact of high-quality goods is revenue generation which helps in growth of an economy.**
- 2. An educated and skilled worker may come up with innovative solutions which will result in reduction of cost and process optimization. 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 economic growth and development of the nation.**

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

Sol. Access to better education is essential for reducing the inequalities of income. Having education makes a person possess more skills and abilities, which raises income and improves living standard and quality. Income distribution has become less pronounced. 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 reduction in inequality.

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

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

- 1. Education helps people in developing skills which helps enhance productivity and leads to increase in earning capacities.**
- 2. Education helps in development of mental ability of the people which will help in making rational choices. Good values are imbibed with education.**
- 3. An educated person will be accepting modernization and modern techniques which are beneficial for economy.**
- 4. It increases income earning capacity and reduces the skewed distribution of income in society.**
- 5. It increases participation of people and help in the growth of the economy and 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, resource underutilization.**

14. Explain how investment in education stimulates economic growth.

Sol. Investment in education helps in stimulating economic growth in following ways:

- 1. Education helps people in developing skills which helps enhance productivity and leads to increase in earning capacities.**
 - 2. Education helps in development of mental ability of the people which will help in making rational choices. Good values are imbibed with education.**
 - 3. An educated person will be accepting modernisation and modern techniques which are beneficial for economy.**
 - 4. It increases income earning capacity and reduces the skewed distribution of income in society.**
 - 5. It increases participation of people and help in the growth of the economy and 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, resource underutilization.**
 - 7. It improves the earning capacity and raises the standard of living.**
- 15. Bring out the need for on-the-job-training for a person.**
Sol. On-the-job training is a one of the most effective training that can be given to a trainee that enables him to learn the technical skills. The need of on-the-job training is to:

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

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

Sol. Human capital can be linked to economic growth in 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 growth of an economy.**
- 2. An educated and skilled worker may come up with innovative solutions which will result in reduction of cost and process optimization. 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 economic growth and development of the nation.

17. Discuss the need for promoting women's education in India.

Sol. Indian society has always been skewed towards female population in regard to education and this has resulted in the poor development of women's in regard to education. It has impacted the economy as a whole as women who are part of the economy but 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. For improving 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 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 favor of the need for different forms of government intervention in education and health sectors.

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

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

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

3. Private institutions cannot operate in remote areas, but government can and hence it will benefit those staying in remote places.

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

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

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

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

Sol. Problems associated with 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 formation of human capital as the skilled and knowledgeable population shifts to areas which offer good source of income. But in doing this it is creating loss of human capital for developing countries.**
- 3. Lack of manpower planning has resulted in underutilization of skills and there has been no effort to address this issue, which has resulted in unemployment and underemployment.**
- 4. Many institutions are offering inferior quality of education which is causing unequal distribution of knowledge and 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 health care institutions? If so, why?

Sol. Government intervention in education and health sectors is needed for regulating fee structure for following reasons:

- 1. As both public and private firms are operating in both health and education there is need for one regulatory body which should monitor their functions.**
- 2. Cost of services provided by private firms are more which is not affordable by the weaker sections of the society.**
- 3. Government interference is required for underprivileged sections of the society such as SC, ST so that they get quality education and health facilities on par with the privileged.**
- 4. For effective development of human capital critical sectors like education and health should be taken care by government.**
- 5. Education and health sectors are having long gestation periods and for such projects funding and intervention of government is required in order to make facilities available for the masses.**