

NCERT SOLUTIONS

CLASS - 11th



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Class : 11th

Subject : Economics

Chapter : 5

Chapter Name : Human Capital Formation in India

Q1 What are the two major sources of human capital in a country?

Answer. Two major sources of human capital in a country are

- Investment in education - education is a component of knowledge and is very important in human resources. Enhancement of knowledge, develops new ideas, methods of innovation, better job opportunities, and improvement of the people.
- Investment in health - an organisation's working is completely dependent on the healthy people and who are conscious of health and wellness. A healthy person can only contribute their maximum towards the work, so it is necessary that investments are made in the healthcare sector.

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Q2 What are the indicators of educational achievement in a country?

Answer. Indicators of educational achievement in a country are

- Adult literacy level - it is the percentage of people above the age of 15 who can read and write with an understanding of statements about their everyday life.
- Primary education completion rate - it is the percentage of students completing their last grade of primary school. It takes into account the total number of students in the last grade of primary school minus the number of repeaters in that group, this is divided by the total number of children of graduation age.
- Youth literacy rate - it is the percentage of people aged between 15-24 years who can read and write with an understanding of the statements of their everyday life.

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Q3 Why do we observe regional differences in educational attainment in India?

Answer. Regional differences in attainment of education in India are mostly because of the inequality of income in different areas. Government expenditure on educational facilities also play an important role in defining the differences. The per capita public expenditure on elementary education differs considerably across states from as high as Rs. 34,651 in Himachal Pradesh to as low as Rs. 4,088 in Bihar. This leads to differences in educational opportunities and attainments across states. The inadequacy of expenditure on education can be understood when compared with the desired level education expenditure as recommended by various commissions. Education commission had recommended that at least 6% of the GDP be spent on education so as to make a noticeable rate of growth in educational achievements.

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Q4 Bring out the differences between human capital and human development.

Answer. The two terms human capital and human development sound similar but there is a clear distinction between them.

- Human capital considers education and health as a means to increase labor productivity, while human development is based on the idea that education and health are integral to human well-being because only when people have the ability to read and write and the ability to lead a long healthy life, they will be able to make other choices which they value.
- Human capital treats human beings as a means to an end, the end being increase in productivity. In this view any investment in education and health is unproductive if it does not enhance the output of goods and services.
- In human development perspective, human beings are an end in themselves. Human welfare should be increased through investments in education and health even if such investments do not result in higher productivity.

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Q5 How is human development a broader term as compared to human capital?

Answer. Human development is a broader term as compared to human capital in the following ways :

- Human capital considers education and health as a means to increase productivity, whereas human development believes that only when people have the ability to read and write and live a healthy and long life, they can make better choices which they value.
- Human capital considers human being as a way to increase productivity and any investment is unproductive if it does not increase the level of output. On the contrary, in human development, welfare should be done by increasing investment in education and health even if does not result in higher productivity.

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Q 6 What factors contribute to human capital formation ?

Answer. The following factors contribute to human capital formation :

- Investment in education is considered as one of the main sources of human. Spending on education by individuals is similar to spending on capital goods by companies with the objective of increasing future profits over a period of time. Likewise, individuals invest in education with the objective of increasing their future income.
- Health is also considered as an important input for development of a nation as much as it is important for the development of an individual. Preventive medicine, curative medicine, social medicine, and provision of clean drinking water and good sanitation are the various forms of health expenditure. Health expenditure directly increases the supply of health labour force and is a source of human capital formation.
- Firms spend on giving on-the-job training to their workers. Firms will insist that workers should work for a specific period of time, after their on-the-job training, during which it can recover the benefits of the enhanced productivity owing to the training. Expenditure regarding on-the-job training is a source of human capital formation.
- People migrate in search of jobs that fetch them higher salaries than what they may get in their native places. Unemployment is the reason for rural-urban migration in India. Technically qualified persons, like engineers and doctors migrate to other countries because of higher salaries. Migration in both such cases involves cost of transport, higher cost of living. The enhanced earnings in the new place outweigh the costs of migration, hence expenditure on migration is also a source of human capital formation.
- People spend to acquire information relating to labour market and other markets like education and health. This information is necessary to make decisions regarding investments in human capital as well as for efficient utilization of acquired human capital

stock. Expenditure incurred for acquiring information relating to labour market and other markets is also a source of human capital formation.

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Q7 How government organizations facilitate the functioning of schools and hospitals in India?

Answer. In India, the ministries of education at union and state level, departments of education and various organizations like National Council of Educational Research and Training(NCERT), University Grants Commission(UGC) and the All India Council of Technical Education(AICTE) facilitate institutions that come under the education sector.

The ministries of health at union and state level, departments of health and various organizations like Indian Council for Medical Research(ICMR) facilitate institutions which come under health sector.

When basic education and healthcare is considered as a right of citizens, then it is essential that the government should provide education and health services free of cost for the deserving citizens and those from socially oppressed classes.

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Q8 Education is considered to be an important input for the development of a nation. How?

Answer. It was found that training and skills to do things is necessary. Educated person is able to generate more income than an uneducated person and his contribution to economic growth is consequently more.

Education is sought not only as it confers high earning capacity on people but also for its high valued benefits, it gives one better social standing and pride, it enables one to make better choices in life, it provides knowledge to understand the changes taking place in the society, it also stimulates innovation. Availability of educated labour force facilitates adaption of new technologies.

Spending on education by individuals is similar to spending on capital goods by companies with the objective of increasing future profits over a period of time. Likewise, individuals invest in education with the objective of increasing their future income.

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Q9 Discuss the following as a source of human capital formation.

- (i) Health infrastructure
- (ii) Expenditure on migration

Answer.

(i) Health infrastructure – Health is considered as an important input for the development of a nation as it is important for the development of an individual. Expenditure on health is important source of human capital formation. Preventive medicine (vaccination), curative medicine (medical intervention during illness), social medicine (spread of health literacy) and provision of clean drinking water and good sanitation are various forms of health expenditure.

(ii) Expenditure on migration – People migrate in search of jobs that fetch them higher salaries than what they may get in their native places. Unemployment is the reason for the rural-urban migration in India. Technically qualified persons like, engineers and doctors, migrate to other countries because of higher salaries that they may get in such countries. Migration in both these cases involves cost of transport, higher cost of living in the migrated place and psychic cost of living in a strange socio-cultural setup. The enhanced earnings in the new place outweighs the costs of migration, hence expenditure on migration is a source of human capital formation.

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Q10 Establish the need for acquiring information relating to health and education expenditure for effective utilization of human resources.

Answer. People spend to acquire information relating to labour market and other markets like education and health. For example, people want to know the level of salaries associated with various types of jobs, whether the educational institutions provide the right type of employable skills and at what cost. This information is necessary to make decisions regarding investments in human capital as well as for efficient utilization of the acquired human capital stock. Expenditure incurred for acquiring information relating to labour market and other markets is also a source of human capital formation.

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Q11 How does investment in human capital contribute growth?

Answer. Economic growth means the increase in real national income of a country; naturally, the contribution of the educated person to economic growth more than that of an illiterate person. If a healthy person could provide uninterrupted labour supply for a longer period of time, then health is also an important factor for economic growth. Both education and health along with other factors like, on-the job training, migration and job market information, increase an individual's income generating capacity.

This enhanced productivity of human capital contributes towards increasing labour productivity and stimulates innovations and creates ability to absorb new technologies. Education provides knowledge to understand changes in society and scientific advancements, thus facilitate invention and innovations.

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Q12 'There is a downward trend in inequality world-wide with the rise in average education levels'. Comment.

Answer. Over the years, the government has felt the importance of education has increased its expenditure on education. In 2009, the government enacted the Right to Education Act to make free education a fundamental right of all children in the age group 6-14 years. The government sanctions a large outlay for the promotion of higher education and new loan schemes for students to pursue higher education.

Educational achievements in a country are indicated in terms of adult literacy level, primary education completion rate and youth literacy rate. Over the years, the literacy level has increased for both male and female. Educating an individual is equivalent to educating a society, education enhances one's income generating capacity. Education, thus has reduced the inequality world-wide.

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Q13 Examine the role of education in the economic development of a nation.

Answer. It was found that training and skills to do things is necessary. Educated person is able to generate more income than an uneducated person and his contribution to economic growth is consequently more.

Education is sought not only as it confers high earning capacity on people but also for its high valued benefits, it gives one better social standing and pride, it enables one to make better choices in life, it provides knowledge to understand the changes taking place in the society, it also stimulates innovation. Availability of educated labour force facilitates adaption of new technologies.

Spending on education by individuals is similar to spending on capital goods by companies with the objective of increasing future profits over a period of time. Likewise, individuals invest in education with the objective of increasing their future income.

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Q14 Explain how investment in education stimulates economic growth.

Answer. It was found that training and skills to do things is necessary. Educated person is able to generate more income than an uneducated person and his contribution to economic growth is consequently more.

Education is sought not only as it confers high earning capacity on people but also for its high valued benefits, it gives one better social standing and pride, it enables one to make better choices in life, it provides knowledge to understand the changes taking place in the society, it also stimulates innovation. Availability of educated labour force facilitates adaption of new technologies.

Spending on education by individuals is similar to spending on capital goods by companies with the objective of increasing future profits over a period of time. Likewise, individuals invest in education with the objective of increasing their future income.

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Q15 Bring out the need for on-the-job training for a person.

Answer. Firms spend on giving on-the-job training to their workers. This can take different forms:

- Workers may be trained in the firm itself under the supervision of a skilled worker.
- Workers may be sent for off-campus training.

Trained and educated person is able to generate more income than an uneducated person and his contribution to economic growth is consequently more. It not only confers higher earning capacity but also for other highly valued benefits, it gives better social standing and pride, it enables one to make better choices in life. On the job training gets employees acquainted with the actual work scenario, adding skills to the knowledge acquired through college. It uses the workplace tools, machines, equipment and knowledge to teach an employee how to do the job effectively.

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Q16 Trace the relationship between human capital and economic growth.

Answer. 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 educated person to economic growth is more than that of an illiterate person. If a healthy person could provide uninterrupted labour supply for a longer period of time, then health is also an important factor for economic growth. Both education and health, along with many other factors like on-the-job training, job market information and migration increase an individual's income generating capacity. They also create self employment opportunities to create more employment opportunities. All this leads to economic growth.

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Q17 Discuss the need for promoting women's education in India.

Answer. The differences in literacy rates between males and females are narrowing signifying a positive development in gender equity, still the need to promote education for women in India is imminent for various reasons such as improving economic independence and social status of women and also because women's education makes a favourable impact on fertility rate and health care of women and children. Empowering women is the most effective way for reducing the fertility rate and achieving a sustainable population size keeping in mind the Earth's carrying capacity. There is still a long way to achieve complete literacy.

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Q18 Argue in favour of the need for different forms of government intervention in education and health sectors.

Answer. In India, the ministries of education at union and state level, departments of education and various organizations like National Council of Educational Research and Training(NCERT), University Grants Commission(UGC) and the All India Council of Technical Education(AICTE) facilitate institutions that come under the education sector.

The ministries of health at union and state level, departments of health and various organizations like Indian Council for Medical Research(ICMR) facilitate institutions which come under health sector.

In India, a large section of the population is living below the poverty line, many cannot afford to access basic education and health care facilities. When basic education and healthcare is considered as a right of citizens, then it is essential that the government should provide education and health services free of cost for the deserving citizens and those from socially oppressed classes.

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Q19 What are the main problems of human capital formation in India?

Answer. Human capital formation is the outcome of investments in education, health, on-the-job training, migration and job market information. Education and health care services create both private and social benefits and this is the reason for the existence of both private and public institutions in the educational and health-service markets. Individual consumers of these

services do not have complete information about the quality of services and their costs. In this situation, the providers of education and health services acquire monopoly power and are involved in exploitation. This is the main problem of human capital formation in India.

Also there are other problems such as increasing population exerting more pressure on the limited resources decreasing the per capita availability of resources. Regional and class differences is also a problem.

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Q20 In your view, is it essential for the government to regulate the fee structure in education and health care institutions? If so, why?

Answer. In India, the ministries of education at union and state level, departments of education and various organizations like National Council of Educational Research and Training(NCERT), University Grants Commission(UGC) and the All India Council of Technical Education(AICTE) facilitate institutions that come under the education sector.

The ministries of health at union and state level, departments of health and various organizations like Indian Council for Medical Research(ICMR) facilitate institutions which come under health sector.

In India, a large section of the population is living below the poverty line, many cannot afford to access basic education and health care facilities. Therefore, in my view, when basic education and healthcare is considered as a right of citizens, then it is essential that the government should provide education and health services free of cost for the deserving citizens and those from socially oppressed classes.

Education and health care services create both private and social benefits and this is the reason for the existence of both private and public institutions in the educational and health-service markets. Individual consumers of these services do not have complete information about the quality of services and their costs. In this situation, the providers of education and health services acquire monopoly power and are involved in exploitation. The role of government in this situation is to ensure that the private providers of these services adhere to the standards stipulated by the government and charge the correct price.

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