

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

**Ans.** Human capital refers to the Stock of skill and, expertise of a nation at a point of time. The two major sources of human capital in a country are (i) Investment in education (ii) Investment in health Education and health are considered an important input for the development of a nation. A better educated person has greater skills and knowledge and therefore greater opportunity to work and earn higher income. Similarly, a healthy person is an asset for the nation as he is more productive than a sick person, who is unable to work efficiently due to bad health. Hence, expenditure on education and health is an important source of human capital formation.

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

**Ans.** Educational attainment is measured by primary education, youth literacy and adult literacy.

SN	Particulars	1990	2000	2015
1.	Adult Literacy Rate (per cent of people aged 15+)			
	1.1 Male	61.9	68.4	81
	1.2 Female	37.9	45.4	63
2.	Primary completion rate (per cent of relevant age group)			
	2.1 Male	78	85	94
	2.2 Female	61	69	99
3.	Youth literacy rate (per cent of people aged 15+ to 24)			
	3.1 Male	76.6	79.7	92
	3.2 Female	54.2	64.8	87

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

**Ans.** Regional differences in educational attainment in India is due to:

- (a) inequality of income
- (b) expenditure by the state government in education facilities.

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

**OR**

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

**Ans.** Difference between Human Capital and Human Development

<i>Human Capital</i>	<i>Human Development</i>
1. Human capital considers education and health as a means to increase labour productivity.	Human development considers education and health as an integral part of human well being.
2. Human capital treats human being as a means to achieve an end which is higher productivity.	It considers human beings as ends in themselves.
3. It considers that investment in health & education should increase labour productivity in the country.	It considers that good education and health are a fundamental right of every citizen.

5. What factors contribute to human capital formation?

**Ans.** Sources of Human Capital Formation:

- (a) Expenditure on Education      (b) Training  
 (c) Expenditure on Health        (d) Migration  
 (e) Expenditure on Information.

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

**OR**

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

**Ans.** Expenditure on education is an important source of capital formation. Education is an important source of human capital formation because:

- (a) It generates technical skills and creates a manpower which is suited for improving labour productivity. It thus, results in sustained economic development.  
 (b) It tends to bring down birth rate which, in turn, brings decline in population growth rate. It makes more resources available per person.  
 (c) It results in social benefits since it spreads to others who may not be skilled. Thus, investment in education leads to higher returns in future.

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

**Ans.** Expenditures on both education and health are to be carried out simultaneously by all the three tiers of the government namely Central Government, State Government and Local Government in India. The ministries of education at the union and state level, departments of education and various organisations

like National Council of Educational Research and Training (NCERT), University Grants Commission (UGC) and All India Council of Technical Education (AICTE) facilitate institutions such as schools which come under the education sector. Similarly, the ministries of health at the union and state level, departments of health and various organisations like Indian Council for Medical Research (ICMR) facilitate institutions like hospitals which come under the health sector.

8. Discuss the following as a sources of human capital formation

- (a) Health infrastructure;                      (b) Expenditure on migration.

Ans.

(a) **Health Infrastructure**

(i) Health is another 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 the various forms of health expenditures.

(ii) A sick labour is less efficient than a healthy labour.

(iii) Thus, health expenditure directly increases the supply of healthy labour force and is, thus, a source of human capital formation.

(b) **Migration**

(i) People sometimes migrate from one place to the other in search of better job.

(ii) It includes migration of people from rural areas to urban areas in India and migration of labour from India to other countries of the world.

(iii) Migration involves cost of transport, higher cost of living in the migrated places and psychic costs of living in a strange socio-cultural set-up. The enhanced earnings in the new place outweigh the costs of migration. Thus, expenditure on migration is also a source of capital formation.

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

Ans.

(a) People spend to acquire information about labour market and educational institutes.

(b) People want to know salaries and other facilities available in different labour markets so that they can choose the right job.

(c) Similarly, people want to know about educational institutions, their educational standards and cost of education.

(d) This information is necessary to make decision regarding investment in human capital.

**10.** How does investment in human capital contribute to growth?

**Ans.** Role of Human Capital Formation in Economic Growth:

- (a) Raises Production
- (b) Raises Efficiency and Productivity
- (c) Brings Positive Changes in Outlook and Attitudes
- (d) Improves Quality of Life
- (e) Raises Life Expectancy
- (f) Raises Social Justice.

**11.** ‘There is a downward trend in inequality world-wide with a rise in the average education levels.’ Comment.

**Ans.**

- (a) Education improves the potential of people to earn money and thereby the living standards of people in the country.
- (b) Higher the education levels, more skilled the population is and greater chances of earning higher incomes.
- (c) Thus, the gap between the rich and the poor narrows down if poor people are given good education to earn higher incomes.

**12.** Bring out the need for on-the-job-training, for a person.

**Ans.** Technical training adds to the efficiency of the people to produce more. Firms are given on-the-job-training to enhance the productive skills of the workers so as to enable them to absorb new technologies and modern ideas. It can be given in two forms:

- (a) The workers may be trained in the firm itself under the supervision of a senior and experienced worker.
- (b) The workers may be sent for off campus training. The returns of such expenditure in the form of enhanced labour productivity is higher than the cost of it.

**13.** Trace the relationship between human capital and economic growth.

**Ans.** Growth implies increase in per capita real income (or increase in per capita availability of goods and services). Higher income facilitates greater investment on the acquisition of education and skills. Thus, human capital formation accelerates the process of growth and growth accelerates the process of human capital formation.

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

**Ans.** There is still a significant 'gender-bias' in offering the opportunities of education to male and female children. The enrolment ratio is relatively low for the female candidates and their drop-out ratio is considerably high.

The need to promote education for women in India is imminent for various reasons:

- (i) It improves economic independence and social status of women.
- (ii) Women education makes a favourable impact on fertility rate and health care of women and children.

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

- Ans.**
- (a) 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.
  - (b) Expenditures on education and health make substantial long-term impact and they cannot be easily reversed; hence, government intervention is essential.
  - (c) Moreover, 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.
  - (d) 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 correct price.
  - (e) In a developing country like ours, with a large section of the population living below the poverty line, many of us cannot afford to access basic education and healthcare facilities.

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

**Ans.** Main problems of human capital formation in India are:

- (i) **Rising Population:** Rapidly rising population adversely affects the quality of human capital formation in developing countries. It reduces per capita availability of existing facilities. A large population requires huge investment in education and health.
- (ii) **Long Term Process:** The process of human development is a long term policy because skill formation takes time. The process which produces skilled manpower is thus slow.

- (iii) **High Regional and Gender Inequality:** Regional and gender inequality lowers the human development levels.
- (iv) **Brain Drain:** Migration of highly skilled labour termed as 'Brain Drain' adversely affects the economic development.
- (v) **Insufficient on-the-job-training in agriculture:** Agriculture sector is neglected where the workers are not given on-the-job-training to absorb emerging new technologies.
- (vi) **High Poverty Levels:** A large proportion of the population lives below poverty line and do not have access to basic health and educational facilities. A large section of society cannot afford to get higher education or expensive medical treatment for major disease.

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

**Ans.** Yes, government intervention is necessary in regulating the fee structure in education and health care institutions:

- (i) to maintain uniformity so that nobody is deprived of these services.
- (ii) to have accountability so that these institutions do not indulge in unfair practices.
- (iii) to help poorer people so that these services can be afforded by all.