

1. Details of module and its structure

Module Detail	
Subject Name	Economics
Course Name	Economics 01 (Class XI – Indian Economy)
Module Name/Title	Human Capital Formation – Part 2
Module Id	keec_10502
Pre-requisites	Knowledge about human capital and role of education sector
Objectives	After going through this lesson, the learners will be able to understand the following: <ul style="list-style-type: none">• Concept of Human capital• Problem of human capital formation• Education and its significance• Major Government Initiatives in School Education Sector• Major Government Initiatives in Health Sector
Keywords	Human capital formation, education, health, government intervention

2. Development team

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Introduction

In this module, we shall analyse the state of Human capital formation in India. We have seen that human capital formation is the outcome of investment in education, health, on-the-job-training, migration, rural development and information and communication technology. Education and health are the two most important sources of human capital formation. In a developing country like ours, with a large section of the population living below poverty line, many of whom do not have access to basic education and health care facilities. Moreover, a substantial section of our people cannot afford to reach good quality health care and higher education. Furthermore, when basic education and health care is considered as a right of the citizens, then it is essential that the government should provide education and health services free of cost for the citizens and those from the socially oppressed classes. Both, the union and state governments, have been stepping up expenditures in the education sector over the years in order to fulfil the objective of attaining cent per cent literacy and considerably enhance the average educational skills of Indians.

Human Capital formation: Issues and Problems

Building a productive and efficient human capital stock is integral to rapid economic development of an economy. However, there are certain issues and problems which hinders the progress of human

capital formation. The resources allocated to the formation of human capital are far short of what is required. Due to this, the facilities for the formation of human capital have remained inadequate. There is a lot of wastage of society's resources as capabilities of educated people are either not made use of (in case of unemployment) or are underutilized (in case of underemployment). Massive illiteracy, poor enrolment ratio, high drop-out rate, and poor health facilities are other inefficiencies, which have not been attended properly. People migrate from one place to another in search of better job opportunities and higher salaries. It leads to the loss of quality people like doctors, engineers, etc. who have high caliber and are rare in a developing country. The cost of such loss of quality human capital is very high. The continuous rise in population has adversely affected the quality of human capital. It reduces per head availability of the facilities. The resources have been diverted towards higher education, which is meant for few people as compared to primary and secondary education. Due to this reason, general productivity of a large section of population of the economy has remained low. There is an imbalance between the demand and supply of human resources of various categories, especially in case of highly skilled personnel. The presence of such imbalances has resulted in the wastage of resources. In respect of education, the performance is particularly unsatisfactory in the fields of science and development of modern technology.

Human Capital formation in India

We have already learnt that human capital formation is the outcome of investments in education, health, on-the-job training, migration and information. Of these education and health are the most important sources of human capital formation. We know that ours is a federal country with a union government, state governments and local governments (Municipal Corporations, Municipalities and Village Panchayats). The Constitution of India mentions the functions to be carried out by each level of government. Accordingly, expenditures on both education and health are to be carried out simultaneously by all the three-tiers of the government. Now the question is that who takes care of education and health in India? Whether there is the need for government intervention in education and health sectors. It is well known that education and health care services create both private and social benefits and this is the fact that underlines the need for public investment in education along with the private investment.

Expenditures on education and health make substantial long-term impact and they cannot be easily reversed; hence, government intervention is essential. For instance, once a child is enrolled in a

school or admitted to a health care centre where the required services are not provided, before the decision is taken to shift the child to another institution, substantial amount of damage would have been done. 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. The role of government in this situation is to ensure that the private service providers of these services adhere to the standards stipulated by the government and charge the correct price.

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 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 which come under the health sector.

Education sector in India

The expenditure by the government on education is expressed in two ways, (i) as a percentage of total government expenditure and (ii) as a percentage of Gross Domestic Product (GDP). The percentage of education expenditure indicates the importance of education in the scheme of things before the government. The percentage of education expenditure of GDP expresses how much of our income is being committed to the development of education in the country. During 1952 - 2014, education expenditure as percentage of total government increased from 7.92 to 15.7 and as a percentage of GDP increased from 0.64 to 4.13. Still the proportion of public expenditure on education in India has remained almost constant for three decades since early fifties. It started increasing around mid-1980s and there has been considerable improvement in the state of elementary education and inter-state disparities in education. Still public expenditure in India is inadequate. It was only 3.1 percent of GDP in 2014-15, whereas the goal is 6 percent of GDP. However, private sector investment has been higher on education.

According to Census 2011, average literacy rate in India is 74.04 percent as against 18.33 percent in 1951. As we can see, around one fourth of our population is still illiterate. Many of the states are

below the national average literacy rate and there are inter-state disparities. Kerala has the highest literacy rate of 93.91 percent and Bihar is at the lowest rank with 63.82 percent (Census, 2011).

In terms of literacy, India ranks lower compared to several Asian countries. According to Human Development Report, 2011, adult illiteracy rate was 37.2 percent in India in 2005-10 as against 6 percent in China, 9.4 percent in Sri Lanka, 4.6 percent in Philippines and 2.3 percent in Argentina. It is widely believed that the poor performance of India on the literacy front has affected its overall development.

Table 1

S. No.	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 people aged 15+ to 24)			
	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	64.2	64.8	87

Source: *Indian Economic Development, Textbook for Class XI, NCERT*

Elementary and Secondary Education

Elementary Education (primary and upper primary school education) takes a major share of total education expenditure. Share of higher or tertiary education (institutions of higher learning like colleges, polytechnics and universities) is relatively smaller. Though, on an average, the government spends less on tertiary education, 'expenditure per student' in tertiary education is higher than that of elementary. This does not mean that financial resources should be transferred from tertiary education to elementary education. As we expand school education, we need more trained educators; therefore, expenditure on all levels of education should be increased.

Right of the Children to Free and Compulsory Education Act, 2009 (RTE Act), was passed by the Parliament. Salient features of the RTE Act include that every child will have free and compulsory education till the elementary stage, schools will be established in the areas where there are no schools in the prescribed limit within three years. Central and State are sharing the responsibilities for providing funds for carrying out the provisions of the Act. It is the duty of the parent or guardian to

admit his or her child to the neighborhood and no school can deny the admission of any child or collect any capitation fee during admission.

Major Government Initiatives in School Education Sector

- **Sarva Shiksha Abhiyan (SSA):** It is a major flagship programme for Universalisation of elementary education, launched in 2001. It is implemented in partnership with states. The major objectives of SSA are to (i) raise enrollment of children in schools, (ii) increase retention of all children till the upper primary stage, and (iii) enhance the learning achievements at the primary and upper primary levels. Provisions of RTE Act are being implemented through SSA.
- **Padhe Bharat-Badhe Bharat:** This initiative, launched in 2014 under SSA aims to (i) improve language development by creating an interest in reading and writing with understanding, and (ii) to create a positive interest and aptitude in mathematics.
- **Rashtriya Madhyamik Shiksha Abhiyan:** The objective of RMSA is to enhance access to secondary education and to improve its quality. This programme was introduced in 2009. It also aims at providing universal retention of students in the secondary level education by 2020.

Apart from these initiatives, the other governments programmes are Mid-Day Meal in schools (launched in 1995) and Kasturba Gandhi Balika Vidyalaya (KGBV) launched in 2004. Mid-Day meal aimed at enhancing enrollment, retention and attendance and simultaneously improving nutritional levels among children. The objective of KGBV scheme was to set up residential schools at upper primary level for girls belonging particularly to SC, ST, OBC, minority communities and BPL families.

Higher Education

Higher education is the most powerful tool to build a knowledge based society for the future. Indian higher and technical education system is one of the largest in the world. But the number of people reaching at the level of higher education is very less. So the education system in India is Pyramid-shaped, due to progressively falling number of people reaching the level of higher education. There is a need to increase allocation for higher education and improve the standard of higher education institutions, so that students are imparted employable skills in such institutions.

Gender Equity in Education

The differences in literacy rates between males and females are narrowing. It indicates a positive development in gender equity. However, education of women needs to be promoted as it would help to improve economic independence and social status of women. It is also experienced that women's education makes a favourable impact on fertility rate and on health care of women and children.

Major Initiatives in Health Sector

Immediately after Independence, the Government of India initiated programmes for control of epidemics, provision of health care services for control and treatment of diseases and programme of training of employees in health department for improving medical facilities in the rural areas. Subsequently, under the Fifth 5-year plan, health care programmes were integrated with family welfare and nutrition programme for vulnerable groups i.e., children, pregnant and nursing mothers. Subsequently health care facilities were extended to poor people, including rural areas and relatively neglected sections of the society. Hospital facilities, beds and other resources were enhanced.

National Health Mission (NHM) was launched in 2013 to enable universal access to equitable, affordable and quality health facilities. Provision of accessible, affordable and effective primary health care facilities, specially to the poor and vulnerable sections of the population needs to be made. Janai Suraksha Yojana, Pradhan Mantri Swasthya Suraksha Yojana, Swachh Bharat Mission are other important initiatives by the government in the health sector.

There has been significant improvement in the health sectors with these initiatives. Death rate has declined from 27.4 per thousand in 1951 to 7.0 in 2014. Infant mortality rate has also come down from 164 per thousand in 1951 to 40 per thousand in 2013. The life expectancy at birth has risen from 37.2 years for males and 36.2 years for females in 1951 to 65.8 years for males and 69.3 years for females during 2009-13. Still the availability of health care services from the public and private sectors taken together is inadequate. The services and facilities are also unaffordable for a large section of population. In 2017, the government has approved the National Health Policy (NPE), with a view to reach everyone in a comprehensive way towards well-being of people.

Conclusion

Economic and social benefits of human capital formation and human development are well known. Thus, it is needs that education should be job-oriented, with the emphasis on vocational education. India has a rich stock of scientific and technical manpower in the world. Higher and technical education should be planned properly. There is also a need to open more schools, improve the

infrastructure, appoint more teachers, provide free textbooks and improve the quality of education at the school level. The spread of education and health services across different sectors of society should be ensured so as to simultaneously attain economic growth and equity. We need to improve it qualitatively and provide such conditions so that they are utilised in our own country.

Human development is based on the idea that education and health are integral to human well being. It is only when people have the ability to read and apply their knowledge; they can derive maximum benefits, which would further enable them to lead a long and healthy life. Investments in education converts human beings into human capital, which enhances labour productivity. This enhanced labour productivity results from higher investments with an expectation that it will increase future income sources. Investments in education, on-the-job training, health, migration and information are the sources of human capital formation. The percentage of expenditure on education of the total government expenditure indicates the importance of education in the scheme of things for the government. Health care services need to be made more accessible and affordable. Moreover health care is also linked with poverty, sanitation, availability of drinking water etc. which will need a more holistic and comprehensive planning.