

# Human Capital Formation in India

## Population and Economic Development

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Population is a resource which is called human resource. Population becomes human capital when investments are made in the form of education and health. Literacy rate, health of a person and the skills acquired by the people determine the quality of a population. This significantly contributes to the growth of an economy by enhancing national income, cultural richness and efficiency of governance.

There are two different opinions about the relationship between population growth and economic development. Some economists are of the view that population is an imperative source of economic development. On the other hand, some economists regard population growth as a retarding factor of growth. Hence, it is essential to analyse the impacts of a large population.

### Advantages of a Large Population

Population growth is a boon for the economic development of a country in the following ways:

- **Better use of available resources:** Many resources such as land, water, forest and land resources are available in a country. These resources can be better used with an increase in the supply of labour. Therefore, a growing population is useful for using the available resources.
- **Rise in national output:** A growing population can be engaged in different productive activities, which lead to a rise in the national output.
- **Expansion of market:** A growing demand for various goods and services brings an expansion in the market for those goods and services. Because of an increase in the population, there will be a demand for innumerable goods in the market. When the demand for consumer goods expands in the market, the producers of these goods will receive an incentive to produce more of these goods. Raw materials and machinery are required to produce these goods on a large scale. Hence, the demand for capital goods also increases and its market also expands.
- **Higher employment opportunities:** If investors get an incentive to invest more in productive activities, there will be generation of employment opportunities in the country.

### Disadvantages of Large Population

Population growth is regarded as a negative factor against economic development because of the following reasons:

- **Low per capita income:** A rapid growth in population led to a slow growth in the per capita income of India. In recent years, the rate of growth in the per capita income is only five-fold as compared to a ten-fold increase during 1951 to 2010.
- **Low level of food grains:** The agricultural sector had borne the entire burden of population pressure in India. During 1961 to 2001, the food grain production in absolute terms has increased to 140% and the per capita availability of food grains per day declined to about 11%.

## Meaning of Human Capital

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Human capital is intangible and built in the body and mind of its owner. Whether a human being wants to raise the earnings depends on his/her inner conscience. Human capital cannot be sold, but only its services can be sold in the market. It creates both private and social benefits.

### Differences between Physical and Human Capital

Physical Capital	Human Capital
It is tangible.	It is intangible, built in the body and mind of its owner.
It is separable from its owner and can be sold in the market.	It cannot be sold, but only its services can be sold in the market.
It is completely mobile between countries, barring some artificial trade restrictions.	It is not perfectly mobile and is restricted by nationality.
It can be built through imports and creates only private benefits.	It depends on a person's conscience as to whether he/she wants to raise earnings. It creates both private and social benefits.

### Role of Human Capital in Economic Development

Human capital plays an important role in economic development. It is required to use physical capital more productively. We also need human capital to produce other human capital such as doctors, lawyers and engineers. Investment on human beings helps to produce more human capital. This enables us to increase the work participation rate and greater the level of output.

### Education and Economic Growth

An individual's expenditure on education is similar to a producer's investment on capital goods. According to the estimate of Edward F. Dension, investment in education contributed to 23% of the growth of total real income and 42% to the growth of real national income per person employed in USA during 1929–57. Hence, there is a positive relationship between the proportion of people below the poverty line and the proportion of illiterate people. Also, it is found that there is a negative relation between female literacy and birth rate. Educating farmers enables them to adopt new agricultural techniques and methods of farming. The firm's expenditure on on-the-job training has a direct impact on production. This training increases the skill and productivity of workers.

Education plays a significant role in economic development as follows:

- Education increases the accessibility of people to modern and scientific ideas.
- It increases the efficiency and ability of people to absorb new technology.
- It creates awareness of the available opportunities and mobility of labour.
- Education helps individuals to gain knowledge, skills and attitude which would enable them to understand changes in society and scientific advancements.
- Investment in education is one of the main sources of human capital which facilitates inventions and innovations.
- Available educated labour force facilitates adaptation of advanced technology in a country.



## Health and Economic Growth

The role of health in the development of human capital is vital. To prevent a population from being a liability of a country, the government must pay adequate attention towards medical facilities and sanitation of the public. Educated people will invest on their child's health, thus building a better future for the nation.

According to the World Health Organization (WHO), health is a state of complete physical, mental and social well-being and not only the absence of disease. The health status is measured in terms of life expectancy at birth, infant mortality rate, fertility rate, crude birth rate and crude death rate. As investment on health increases the productive capacity of the working population, the level of income rises which contributes to a decline in the incidence of poverty. Over the last five decades, India has built up health infrastructure and manpower at primary, secondary and tertiary care in government, voluntary and private sectors and made considerable progress in improving the health of its population.

## Improvement in Human Capital

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The main aim of human capital formation is to make the human beings in a nation more productive. Expenditure on education and health was incurred through the three tiers of the government—union government, state government and local government.

Ministries of education, departments of education and various organisations such as the National Council of Educational Research and Training (NCERT), University Grants Commission (UGC) and All India Council of Technical Education (AICTE) regulate the education sector. Likewise, ministries of health and various organisations such as the Indian Council for Medical Research (ICMR) regulate the health sector.

The government plan outlay on education has increased from Rs 151 crore in the First Plan to Rs 43,825 crore in the Tenth Plan. It aims at spending Rs 4.13 lakh crore on higher education during the Twelfth Plan (2012–17), about four times the amount allocated in the previous plan of Rs 84,943 crore. In the previous plan period, the share of education in the total plan outlay correspondingly increased from 7.7%

to 19.4%. Thus, about 50% of the Eleventh Plan outlay was devoted to elementary education and literacy, 20% to secondary education and 30% to higher and technical education.

Over the last decade, the literacy rate in India has increased a great deal. According to the Census of India, the literacy rate was raised to 74.04% in 2011 from 64.8% in 2001. An interesting fact of Census 2011 is the sharp rise in the literacy of women.

According to a Deutsche Bank report, India will be one of the four major growth centres in the world by 2020, and a World Bank report states that India should make a transition to the knowledge economy by successfully using its knowledge. Thereby the per capita income of India will increase to US \$3000 in 2020 from US \$1000 in 2002.

The union government creates broad policies and plans through the Central Council of Health and Family Welfare. Government measures relating to health services in India include the control of communicable diseases, the establishment of health care institutions and the expansion of medical education and research.

#### **Achievements in Demographic Indicators**

<b>Demographic Changes</b>	<b>1951</b>	<b>1981</b>	<b>2000</b>
Life Expectancy	36.7	54	64.6 (RGI)
Crude Birth Rate	40.8	33.9 (SRS)	26.1 (99 SRS)
Crude Death Rate	25	12.5 (SRS)	8.7 (99 SRS)
Infant Mortality Rate	146	110	70 (99 SRS)

Note: RGI - Registrar General of India, SRS - Sample Registration System

**Source: National Health Policy 2002, India**

## **Women and Child Welfare**

According to Census 2001, women constitute 48% of the Indian population and women workers constitute 33.3% of all workers. Discrimination against women is very common in the labour market of less developed and developing countries. Women enjoy fewer rights than men in a developing economy. Violence against women is also one of the serious problems in an economy. These discriminations against women are called gender-based discriminations in a society.

To improve the status of women and the welfare of children, the government has taken several steps:

- Integrated Child Protection Scheme (ICPS) was launched in 2009–10 to provide a safe and secure environment for the development of needy children.
- Support to Training and Employment Programme (STEP): This scheme was launched in 1987. It seeks to train women for employment in traditional occupations such as agriculture, animal husbandry, dairy, handlooms and handicrafts.
- Janani Suraksha Yojana (JSY): This scheme was launched during April 2005 with the objective of reducing the maternal mortality and infant mortality rates. It encourages delivery at healthcare institutions and makes provision for cash assistance and health care assistance to poor women during the pre-natal delivery and post-natal stages.
- Universal Immunisation Programme: This was launched during November 1985. After the initiation of the programme, there has been a decline of 83% in diphtheria, 83% in whooping cough and 59% in

measles. Because of the outbreak of polio in some states in 2006, the pulse polio immunisation programme has received special emphasis since 2007.

- **Rajiv Gandhi National Crèche Scheme:** This scheme was launched for children of working mothers to provide supplementary nutrition and emergency medicines to children in the age group of 0–6 years.
- **Dhan Lakshmi Scheme:** This scheme was launched in 2008 for a family of a girl child to provide a cash amount after fulfilling certain conditions.

### **Empowerment of Women**

The social return from educating women is higher than that from educating men. It helps in not only improving the work-efficiency of women but also improving child health by improving the mother's literacy. According to the United Nations and World Bank, the education of women is one of the most cost-effective means of improving local health conditions. Proper education and training would empower women to take leadership roles in various fields of social and economic activities.

Major discrimination against women in India occurs in the following areas:

- Health-based discrimination
- Discrimination on the education front
- Discrimination in the workplace
- Discrimination at the household level

### **Birth Control Devices**

The regulation of conception by preventive methods or devices to limit the number of offspring is called birth control. There are certain devices to control birth such as condoms, diaphragms, cervical caps, intrauterine devices and physiological devices.

### **Child Welfare**

The government has implemented the following steps to ensure the welfare of children:

- **Sarva Siksha Abhiyan** provides elementary education to children in the age group of 6 to 14 years.
- School camps are organised to increase the enrolment in elementary education.
- **Mid-day meal scheme** aims to encourage attendance and retention of children with improved nutritional status.
- The **Integrated Child Development Services (ICPS)** scheme was launched in 1975 to improve the nutritional and health status of children within the age group of 0–6 years, to lay the foundation of proper physical, psychological and social development of the child and to reduce the incidence of malnutrition and infant mortality rates.
- The **Pulse Polio Programme** is being implemented at the national level, free of cost, so that all children up to five years of age are immunised against polio.
- The **Reproductive and Child Health Programme** was launched in 1997 to combine fertility regulation, safe motherhood and child survival.