

HUMAN CAPITAL FORMATION IN INDIA

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Human life start with a body and when we add skill with human through education ,training and through another activity then human body turn into human capital because a skilled man can do that work and participate in GDP of country and generate capital.



What is Human Capital & Physical Capital?

Suppose a person starts a new business and invests Rs 60,00,000 as follows



Building
50 lacs



Machinery
8 lacs



Employee
Training 2 lacs

What is Capital of a Business?

→ It is amount invested into business to produce goods and service
It is Rs 60 lacs

What is Physical Capital?

→ It is Investment in Tangible Assets (which can be seen)
It is Rs 50 Lacs+8 Lacs=58 Lacs

What is Human Capital?

→ It is the stock of skills and knowledge (which cannot be seen)
It is Rs 2 lacs

Human Capital & Physical Capital

Physical Capital

Completely Mobile

(Can be transferred from one place to another)

Separable from Owner

(Machine and Person owning machine different)

Depreciate More

(Machine becomes old and useless after some time)

Creates Only Private benefit

(Only benefit to person owning Machine)

Human Capital

Not Completely Mobile

Restriction on Movement of People

Inseparable from Owner

(Knowledge & Person having knowledge same)

Depreciate Less

(Knowledge becomes outdated after sometime, can be updated)

Both Private and Social Benefit

(Knowledge benefits person as well as society)

Different Types of Investment in Health

How to Keep a Person Healthy?

Different Types of Investment in Health



Make them Aware about health issues

Investment in Social Medicine

(it means measures taken to raise awareness about different health Issues)



Provide Clean Drinking Water

Investment in Basic Facilities

(it means providing facilities like clean drinking water, garbage removal to reduce risk of different diseases)

Difference between Human Capital and Physical Capital

Physical Capital



It is stock of manmade goods like Machinery, building etc.

It is Tangible

(Can be Seen & touched)

Can be sold

(Example-Machine can be sold)

Human Capital



It is the Stock of Skills and knowledge possessed by population of an economy

It is Intangible

(Cant be seen or touched)

Not sold in Market

(knowledge cant be sold, Products and service using this knowledge sold)

Investment in Education

It includes



Schools



Colleges



Training Centres

All these Provide

- *Knowledge and Skills to students*
- *Make them Job Ready*
- *Increase Human Capital*

sources-

investment in education is considered as one of the main sources of human capital.there are several other sources as well.



Sources of Human Capital



Investment In Education

- People spend money on Education of their children to increase their skills



Health

- A healthy person performs better than sick person Hence investment in health is required



Migration

- People migrate from one place to another to get better job opportunities



Information

- People use information from various sources like Internet to get better job opportunities



On Job Training

- Companies train their employees so that they perform better in job

Different Types of Investment in Health

How to Keep a Person Healthy?

Different Types of Investment in Health



Get them Vaccinated to Prevent Disease

Investment in Preventive Medicine

It means measures taken for disease prevention like vaccination)



Treat their disease

Investment in Curative Medicine

(it means measures taken to cure disease with surgery, medicine etc)

Investment in Health

Who Contributes More to Economic Growth



Healthy Person



He can contribute More to economic growth as he has higher productivity



Sick person



He is sick and weak So cant give his full productivity at work

Therefore Investment in Health Required For Economic Growth

Different Types of Migration

Example 1 - Internal Migration



Example
Villagers Migrating to Cities in search of Work

Example 2 - External Migration



Example
Indians Migrating to Canada in search of better living standard

When is Migration Source of Human Capital



Benefits of Migration

Better
Employment
Opportunities

Better Living
Condition

Costs of Migration

Cost of
Movement

Higher Cost
of Living

Psychological
Cost of shifting
abroad

*If Benefits are more than Cost,
it is a Source of Human Capital*

Human capital and human development

Example- Human Capital & Human Development

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Mrs. Kamla →

Age 80 Years

Never gone to School

Wants to Study so that she
can write her own name

& read newspapers

Should govt spend on her free education?



No

There is no
Economic Benefit of
giving her education
She won't be able to
do job

Yes

She will be able to
Read and write,
It will improve
her life

HUMAN CAPITAL

It is skills and
knowledge
which provide
economic
value

HUMAN DEVELOPMENT

It is the process
of improving life
of people without
considering
economic value

Example 2-Human Capital and Human Development

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Should Vaccines be given to Old
People for Covid

No

There is no
Economic Benefit
They are going to
die anyways in
some years

HUMAN CAPITAL

It is skills and
knowledge
which provide
economic
value

Yes

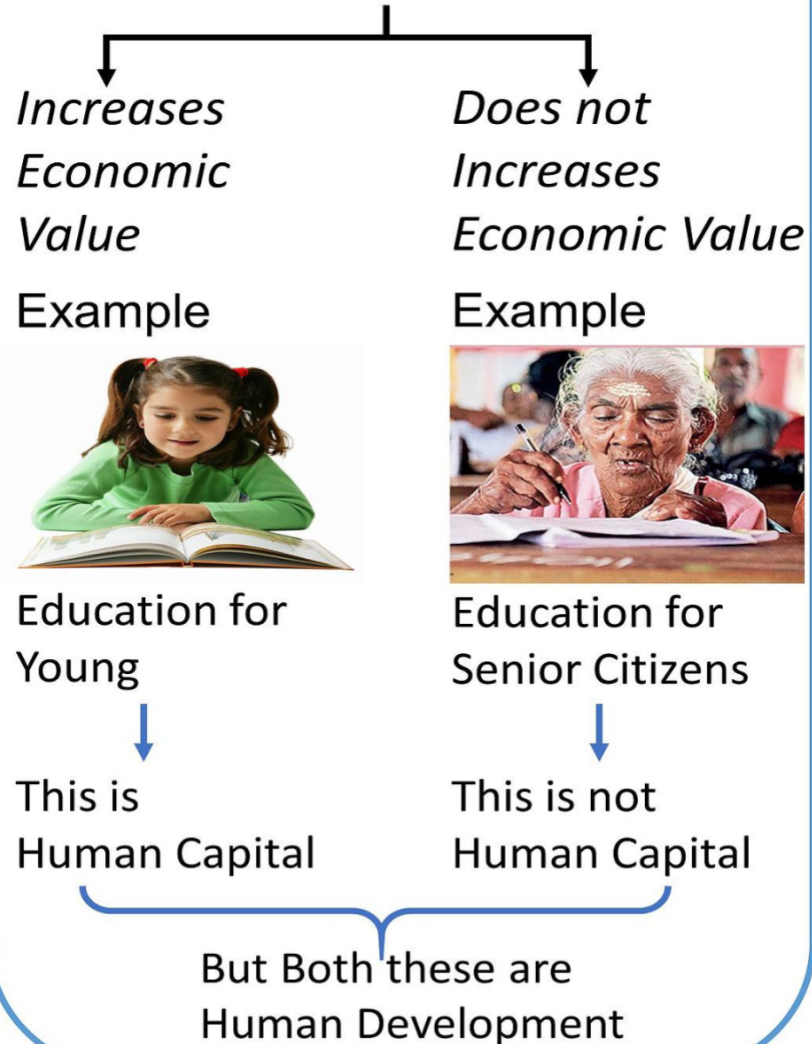
It is our social
responsibility
Everyone has
right to
live

HUMAN DEVELOPMENT

It is the process
of improving life
of people without
considering
economic value

Relation between Human Capital & Human Development

Investment in Education and Health



Investment in Human Capital leads to Human Development



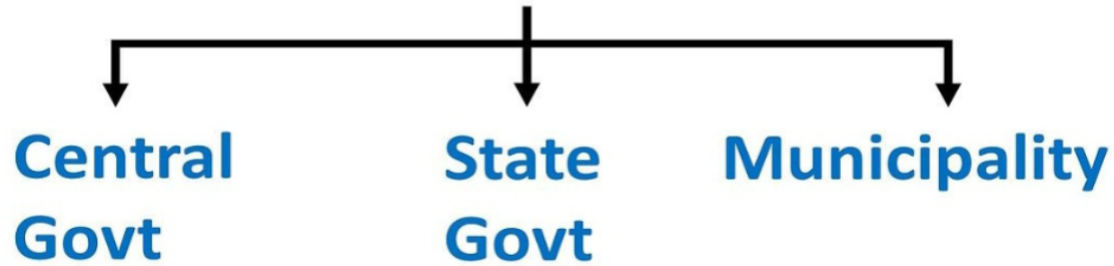
Human Capital means
More Schools/Colleges/Hospitals
For working Population(Young)



Education sector in india

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Different Types of Governments In India



They have Jurisdiction over whole of India



They have Jurisdiction over a Particular State
Example- Delhi



They have Jurisdiction over a Local Area
Example- North Delhi

Education Sector In India → Private and Govt Sector

Private Providers



Delhi Public School

Private Schools



Amity University

Private Colleges

Government Providers



Central Govt School



Central Govt College



State Govt School



State Govt College



Municipality School

Different Primary Education Spending in Different Areas of India

*In Some States
Higher Spending
on Education per
student*

Example

Himachal Pradesh
Rs 34,651 per
person

*More
Opportunities
for Students
(Higher literacy
Rate)*

*In Some States
Lower Spending
on Education per
student*

Example

Bihar
Rs 4088 per
person

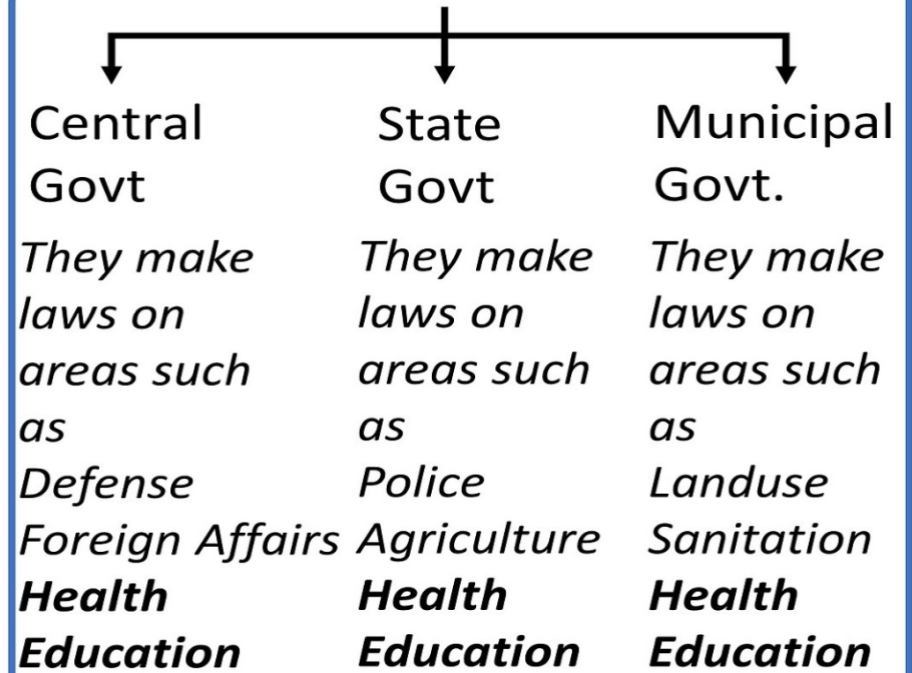
*Less
opportunities
for Students
(More
dropouts)*

*Hence, there is Regional
Disparity in Education
Spending in India*

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Which Government handles Education and Health in India?

Different Types of Governments In India



Note

*Health and Education
are handled by
All 3 Governments
simultaneously*

BENEFITS OF EDUCATION

Illiterate Person



Does Manual Work (Less Salary)



Less Respect in Society



Can't make good decisions
Marry Early, More kids)

VS Literate Person



Does Computer Work (More Salary)



More Respect in Society



Makes better choices (Marry late, less kids)

Why is Education Important?

It gives higher earning capacity

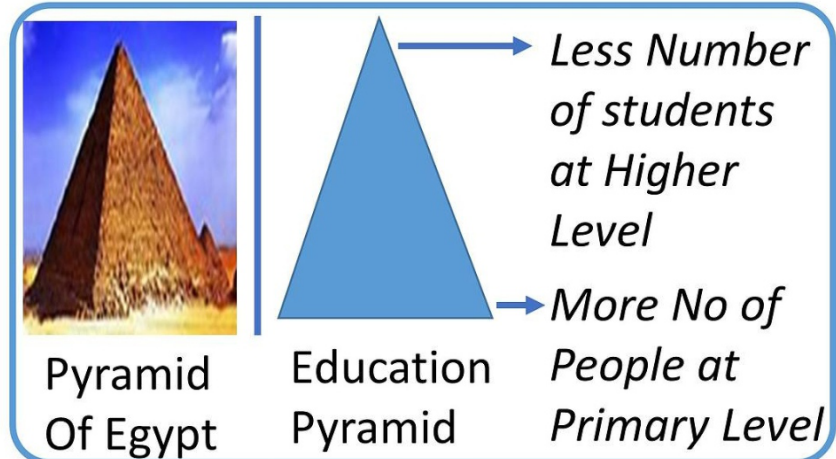
Provides better social standing

Enables us to make better choices in life

Higher Education Pyramid in India

India's Education system is in the form of Pyramid

Broad at bottom and narrow at top



Meaning

It means that at lower level of education, there are more no of students

At higher level of education, number of students who study are much Less

Many Students drop out and do not pursue higher education

Gender Equity



WHAT IS GENDER EQUITY?

Gender Equity means fairness in treatment of men and women according to their respective needs.

Example 1

Allowing girls to go for higher education just like boys



Example 2

Allowing women to work just like men



Why Women Education Should be Promoted?

Uneducated Woman



Less Respect in Society



*Doesn't Maintain Hygiene
Children, Family also get disease*

Educated Woman



More Respect, Social Status



Maintain health and hygiene of self and family,

This is why Women Education should be promoted

How to Measure Education Expenditure as a percentage of GDP?

It measures how much of GDP People spend on education

Formula

$$\frac{\text{Total Education Exp} * 100}{\text{Total GDP}}$$

Year	%
1952	0.64%
2014	4.13%

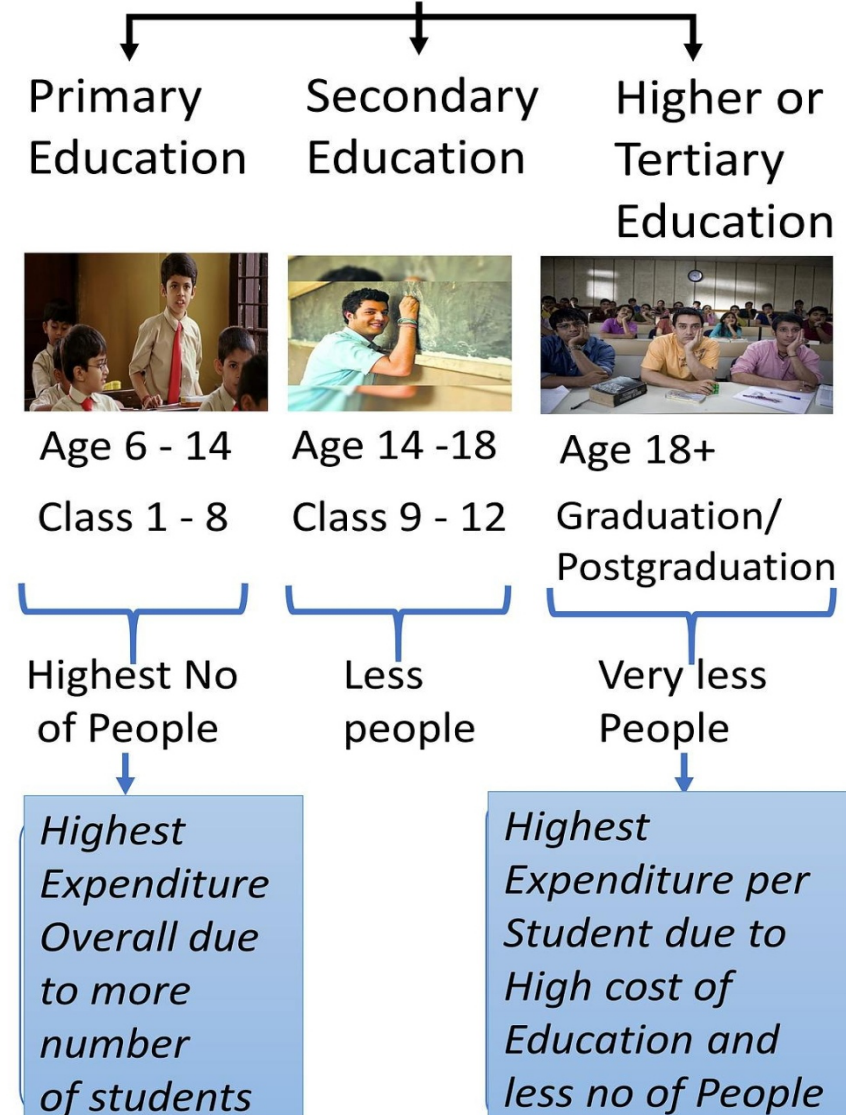
Hence now more money spent by people on education

This Denotes how much percentage of people's income is committed to development of education in India

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At which level of Education is Govt Spending Highest in India?

Different Levels Of Education



Future Prospects

Mission - Education For All



It is a Goal or Plan to Achieve 100% literacy Rate so that every person should be able to Read and Write

EDUCATION FOR ALL.

Denying a child an education may affect their growth both mentally and physically!



Mission - Education For All

What was the Mission

As per Directive principles of Constitution
free and compulsory education to all children
upto age of 14 years in 10 years time

Constitution enacted in 1950
Target was 1960

Whether this Mission Achieved?

Not yet

Adult Literacy Rate (2017-18)

Male 82%

Female 66%

Achieving 100%
is still a distant dream