

NCERT SOLUTIONS CLASS-11 ECONOMICS

CHAPTER- 5

NCERT Solutions for Class 11 Economics for chapter 5 Human Capital Formation in India

Exercises

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

Answer: The two main sources of human capital in a country are investments in education and health. The other sources of human capital formation are investment in on-the-job training, migration and information.

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

Answer: The indicators of educational achievement in a country are as follows:

1. Adult Literacy rate- It indicates the percentage of adult literate population who are aged 15 years and above and can read and write.
2. Primary completion rate – It indicates the percentage of students who are completing their last year of primary education. Primary education includes students in the age group of 6-14 years.
3. Youth literacy rate – It indicates the percentage of literate population between the age group of 15-24 years.

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

Answer: The reasons why we observe regional differences in educational achievement in India are as follows:

Economic factors: States with more resources to invest on education in terms of establishing educational institutions, schools, colleges, appoint better teachers etc. are generally ahead in educational achievements. For instance states like Kerala, Punjab, and Himachal Pradesh are ahead in educational achievement while states like Bihar, Odisha, and Uttar Pradesh are few states which are lagging behind in educational achievements.

Political factors: The disparity in the political will of state government to invest on education and to create better human capital also plays a significant role in regional differences in educational achievement. It is the obligation of every state government to properly implement the education scheme in their respective states.

Social factors: Indian is a land of diverse culture, religions and communities. Every region has its own social norms and traditions. Due to this diversity, there exist regional differences in educational achievement in India. People of more developed regions understand the importance of education while socially backward regions do not understand the importance of education especially for girls. There is still a significant 'gender-bias' in offering educational opportunities to male and female children across different regions.

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

Answer:

Human Capital

Human capital considers education and health as means to increase productivity.

It treats human being as a means to an end; the end being the increase in productivity.

Human capital considers any investment in health and education is unproductive if it does not enhance output of goods and services.

Human Development

Human development is based on the idea that education and health are integral part of human well being.

Human development treats human beings as an end in themselves.

Human development stress on increasing human welfare by investing in education and health even if it does not results in higher output. It says that every individual has right to education and basic health facilities.

Question 5. How is human development a broader term as compared to human capital?

Answer: Human development is a broader term as compared to human capital because it includes many areas of human welfare which human capital ignores. Human capital considers education and health the means to increase productivity whereas human development is based on the idea that education and health are integral part of human well being. Human development stress on increasing human welfare by investing in education and health even if it does not results in higher output. It says that every individual has right to education and basic health facilities. Human capital considers an investment in health and education unproductive if it does not enhance output of goods and services. Various aspects such as life expectancy, infant mortality, gender equality, political and civil rights etc. are part of human development but they are not considered in human capital formation.

Question 6. What factors contribute to human capital formation?

Answer: One of the main factors which contribute to the human capital formation is investment in education. The other factors contributing towards human capital formation are investment in health, on-the-job training, migration and information.

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

Answer: In India the government organisations that regulate and facilitate the education sector or functioning of schools are:

1. The ministries of education at the union and state level
2. The department of Education
3. National Council of Educational Research and Training (NCERT),
4. University Grants Commission (UGC) and
5. All India Council of Technical Education (AICTE).

Government organisations that regulate the health sector and facilitate functioning of hospitals in India are:

1. Ministry of health at union and at state level.
2. Department of Health
3. Indian Council of Medical Research (ICMR).

Question 8. Education is considered to be an important input for the development of a nation. How?

Answer: Education is considered to be an important input for the development of a nation because:

1. It confers higher earning capacity,
2. It gives one a better social status,
3. It enables one to make better choices in life,
4. It provides knowledge to understand the changes taking place in society,
5. It stimulates innovations,
6. It accelerates the development process, by inducing higher rate of participation and higher degree of equality.

Question 9. Discuss the following as a source of human capital formation

(i) Health infrastructure

(ii) Expenditure on migration.

Answer:

(i) Health infrastructure - Expenditures on health infrastructure is important in building and maintaining a productive labour force. Health expenditure may take various forms. Preventive medicine (vaccination), curative medicine (treatment of illness), social medicine (spread of literacy), and provision of clean drinking water and good sanitation are various forms of health expenditures.

Good health infrastructure improves the quality of life. Improved health infrastructure contributes to economic growth in the following ways –

1. It increases the efficiency of workers,
2. It reduces production cost caused by worker's illness,
3. It permits the use of natural and other resources,
4. It increases the enrolment of children in schools and makes them better able to learn,
5. It spares resources that otherwise would have to be spent on treating illness.

One thing may be noted here that mere presence of health care facilities is not sufficient to have healthy people. These should be accessible to all the people. No individual should fail to secure them because of their inability to pay for them.

(ii) Expenditure on migration – People migrate in search of jobs that bring them higher salaries than what they may get in their native places or countries. Migration involves cost of transportation, higher cost of living in the migrated places and psychic costs of living in a new socio-cultural setup. But the increased earnings in the new place outweigh the costs of migration; hence, expenditure on migration is also a source of human capital formation.



Question 10. Establish the need for acquiring information relating to health and education expenditure for the effective utilisation of human resources.

Answer: Acquiring information relating to job markets, healthcare facilities and educational institutions offering specialized skills, etc is an important beginning for the acquisition of skills and its appropriate utilisation. Information about health and education expenditure discloses many facets of effective utilisation of human resource. It helps in finding out the number of people those who can afford and those who cannot afford education and healthcare expenses which can be used to decide the current number of available human resource. Further it helps in finding out which sector of society need more support from the government in attaining basic education and healthcare facilities for better human capital formation.

Hence it is important to acquire information relating to health and education expenditure for the effective utilisation of human resources.

Question 11. How does investment in human capital contribute to growth?

Answer: Human capital refers to the stock of 'skills and expertise' of a nation at a point of time. Human capital is a means to achieve and enhance the productivity of existing resources. Investment in human capital helps in building the strong base for the nation's growth by creating an environment conducive of growth. As people tend to acquire skills they tend to acquire growth oriented attitude and aspirations and as number of skilled and trained manpower possessed by a nation increase, so does its economic growth. Investment in health further enhances the capabilities of human resource and increases the rate of participation of human resource in productive activities which ultimately leads to greater degree of economic and social equality in the society. Human capital formation also facilitates the use and growth of innovative skills and innovation is a principle determinant of growth.

Question 12. 'There is a downward trend in inequality world-wide with a rise in the average education levels.' Comment.

Answer: It is true that there is a downward trend in inequality world-wide with a rise in average education levels. Education induces greater employment and opens the doors to good jobs and salary. Thereby, raises the standard of living and improves quality of life. Education raises the rate of participating by making population capable of participation in economics, political and social activities of the nation. High rate of participation induces greater degree of economic and social equality and make the distribution of income less skewed which in turn helps in reducing income disparities between rich and poor. Throughout the world, education levels are improving, a clear indicator of which can be seen in the rising number of educated women in the workforce which also is an indicator of narrowing gap in the gender inequality. Importance of education is being realised worldwide and as a result the governments of different countries have started investing heavily in education sector. It is believed that a rise in education levels not only reduces inequalities but also helps in tackling problems like unemployment, poverty, etc in an efficient manner.

Question 13. Examine the role of education in the economic development of a nation.

Answer: Economic development refers to an increase in the production levels of a country along with an improvement in the quality of life. The following points explain the role of education in the economic development of a nation:

1. **Enhances Productivity:** Education adds to the quality of labour by improving skills and knowledge. It enhances total productivity and growth in the economy. It enhances the income earning capabilities of the people. Education turns human resources into human capital like engineers, doctors, teachers etc.
2. **Expands mental horizon:** Education helps people in making better and rational choices more intellectually. Education churns out good citizens by inculcating values in them.
3. **Develops science and technology:** The availability of educated workforce facilitates adaptation and invention of new technologies. It facilitates the use and growth of innovative skills
4. **Raises standard of living:** Education induces greater employment and opens the doors to better jobs and salary. Thereby, raises the standard of living and improves quality of life.
5. **Increases participation rate:** Education raises the rate of participating by making population capable of participation in economics, political and social activities of the nation.
6. **Provides solutions for socio-economic problems:** High rate of participation induces greater degree of economic and social equality in the society which points towards economic development. An educated society can tackle its socio-economic problems in a much better manner than an uneducated society.

Question 14. Explain how investment in education stimulates economic growth.

Answer: Investment in education is the most significant way of enhancing and enlarging a productive workforce in the country. It therefore plays an important role in stimulating economic growth in the country. People often do cost and benefit analysis of their investments. The monetary and social benefits of education (in terms of earnings of the educated person during his life time) far exceed the cost of education. Parents decide to spend a handsome amount on education of their children, even by raising loans because they know by getting a good education, their children will make a handsome earning for several years of their life. Education is considered as the undercurrent of economic and social change in the society. The availability of educated labour force facilitates adaptation and invention of new technologies which foster economic growth.

Question 15. Bring out the need for on-the-job-training for a person.

Answer: On the job training is required because -

1. It improves the confidence and morale of the workers.
2. It helps in the introduction and adaptation of modernisation and innovation.
3. It facilitates the use of raw materials in an economical and efficient manner.
4. It helps in broadening the thinking pattern of workers so they can accept newer and better things for the organisation's development and well-being.

Question 16. Trace the relationship between human capital and economic growth.

Answer: There is a cause and effect relationship between human capital and economic growth. Human capital stimulates the process of economic growth by enhancing or improving the productivity in the country and in turn economic growth facilitates human capital formation. Growth implies increase in per capita income and standards of living; higher income facilitates greater investment in education and health facilities hence more human capital formation.

Question 17. Discuss the need for promoting women's education in India.

Answer: Though the difference in literacy rate between males and females is narrowing down. There is still a need to promote women's education in India. Women's education will further improve the economic independence and social status of women. It would make a favourable impact on fertility rate and health care of women and children. Finally, promotion of women's education would be a step towards gender equity.

Question 18. Argue in favour of the need for different forms of government intervention in education and health sectors.

Answer: Proper investment in education and health sectors is very crucial for the growth of a nation. Since education and health care services create both private as well as social benefits, both private and public institutions are needed to provide these services. But the private providers of education and health services need to be controlled/ regulated by the government; otherwise they will not follow the standards/norms fixed by the latter.

At time, the charges of private educational institutions and private super specialty hospitals are so high that government needs to provide all those services at subsidised rates for the masses.

Question 19. What are the main problems of human capital formation in India?

Answer: Human capital formation is faced with several problems in India. A brief account of these problems is given below –

1. The biggest problem that India is facing in the process of human capital formation is of rising population. It adversely affects the quality of human capital. It reduces per head availability of existing resources or facilities that determines the quality of life and capabilities of acquiring knowledge and skills.
2. There is miss-match between demand and supply of required skills and knowledge.
3. Education in India is gender biased. The quality of education in India is very poor.
4. We accord high priority to free and compulsory primary education as compared to secondary and higher education.

5. Insufficient attention is being paid to agricultural education.
6. Government expenditures on education is still quite less (4%) than the desired level of 6% of the GDP.
7. The access level of education is considerably low for the rural population as compared to the urban population.
8. Privatisation of education and health care has created a wide gap between rich and the poor. On one hand there are public schools for the rich and on the other hand, there is government or government aided schools for the common people. A similar condition prevails in the health sector.
9. Indian workers suffer from malnutrition which results in poor health.
10. Healthcare institutions are lacking in funds to equip themselves with adequate building, laboratories and emergency facilities
11. There are insufficient numbers of hospitals and dispensaries to cure ailing patients.
12. Unavailability of ambulances and hospitals in remote areas further deteriorates the condition.
13. Another serious problem is that of migration of people born, trained and educated in India to develop countries. This problem is also referred to as brain-drain.

To conclude we may say that educational reforms and development continue to face tough problems in India. The traditional education system needs to be reshaped according to the growing needs of the Indian economy.

Question 20. In your view, is it essential for the governments to regulate the fee structure in education and health care institutions? If so, why?

Answer: Yes, it is very essential for the government to regulate the fee structure in education and health care institutions because of the following reasons -

1. Proper investment in education and health sectors is very crucial for the growth of a nation.
2. Education and health care services create both private as well as social benefits. That is why both private and public institutions are needed to provide these services.
3. The private providers of education and health services need to be controlled/ regulated by the government; otherwise they will not follow the standards/norms fixed by the latter.
4. The charges of private educational institutions and private super specialty hospitals are so high that government needs to provide all those services at subsidized rates for the masses.
5. The providers of education and health care services acquire monopoly power and are involved in exploitation in case individual consumers of these services do not have complete knowledge about the quality of these services and their cost. In such a situation the role of government is to make sure that private providers of these services stick to the standards and charge the correct price.