

Role of Education in Human Capital Formation in Bihar

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ABSTRACT

Every country depends on its material and non-material resources for achieving growth and development. While the physical factors of production are limited for an economy, their productivity can be enhanced by improvements in technology and productivity of the labour force. The productivity of labour force is termed as human capital formation. It can be enhanced most effectively through education. Recognising that education is a necessary element of human capital formation the government of India has taken many steps to expand education in the country. The following article examines the role of education in human capital formation and the steps taken by the Government India and the State government of Bihar in this context.

1. Introduction

Economic growth of a country depends on certain factors namely the rate of investment the capital output ratio both of which pertain to the nonliving aspect of growth process and the human capital embodied in the population of the country. To raise the rate of growth it is important to increase the rate of investment capital formation while the capital output ratio should be lowered. The lowering of capital output ratio implies the use of better technology. Similarly an improvement in the human capital will ensure a positive impact on the countries growth process .

Human capital formation is defined as the development of abilities and skills among the population of the country. According to Professor Meier, the process of acquiring an increasing number of persons who have skills education and experience which are critical for the economic and political development of the country is known as human capital formation. As the world moves towards 'Knowledge Based' economies, the importance of human capital becomes even more significant. It is a multi-faceted set of characteristics. Knowledge, skills and competencies constitute a vital asset in supporting equal growth. Investment in human capital is necessary to promote economic prosperity, generate more employment and increase social cohesion.

2. Human Capital Formation

The importance of human capital in the economic activities has been recognised by economists from early on. The father of economics Adam Smith highlighted the role of human component and this trend has been continued by the likes of T W Schultz (1961,1971) and Becker to Amartya Sen to Abhijit Bannerji and Esther Duflo. Education is one of the goals (SDG-4) set out by the United Nations in its Sustainable Development Goals which are to be achieved by 2030. The aim is to "ensure inclusive and quality education for all and promote lifelong learning. (Economic Survey 2017-18: 167)

The successive governments in India have since Independence worked to spread education among the masses. This is necessary to harness the demographic dividend that India has. Without an educated and skilled labour-force the country cannot hope to reap the benefits of its young population . In order to raise the pace of development in India,

the government has taken many steps to bring the underprivileged classes within the ambit of education and to diversify educational achievements in science and engineering apart from the traditional humanities subjects.

3. Definition of human capital

We can define human capital as "the knowledge, skills competencies and other attributes embodied in individuals that are relevant to economic activity."

In the narrow sense, we consider only those skills, knowledge and other attributes that directly relate to economic activity, in order to define human capital. In the broad sense of the definition however formation of human capital is concerned with everything that enhances productivity, innovation and employability of manpower. Further human capital can be increased and improved by further training and practice. It can also decline or become redundant with passage of time or disuse.

Human capital can be formed through different sources and influences including organised learning activity in the form of education and training. Social settings such as schools colleges, organisations, labour markets, communities, cultures etc. , all influence the formation of human capital. Nevertheless human capital is an individual characteristic that is developed in the environment created by these social settings.

Human capital formation is important in many ways. It leads to proper utilization of resources. It increases productivity by the development of skills. This gets translated into addition to productive capacity and increased volume of output. Efforts to enhance human capital raise per capita income. They improve the quality of life and are a tool for economic change.

4. Role of education

The best way of increasing human capital formation is the expansion of education among the masses. The stock of Human Capital depends on the rate at which individuals acquire knowledge, skills and competencies. It is also incidental to the extent to which people are able to retain these skills one acquired. Human capital formation is measured in terms of investments in childhood and adulthood learning. Quantity of human capital investment can be most readily

measured through two resources devoted to learning: money and time (Weisbrod, 1962).

1) Measuring educational spending

When we consider educational attainments, the norm is to study formal education received in institutions. Though education is provided through public as well as private methods, it is easier to collect data on public education. These can be measured in terms of total relative to GDP or in terms of per student relative to GDP per capita. The financial measurements include expenditure on education and training, expenditure on public labour market training programmes, investments by firms and organisations on internal training programmes, and investments by families in the creation of human capital in children.

2) Measuring Time investments

Another method of measuring the creation of human capital stock through education is to look at the time put in to achieve certain education, training or skill development here the number of years spent in school or college are considered. Apart from primary, secondary and tertiary education, weightage is also given to participation in continuing further education and training.

As compared to developed countries where the mean years of schooling range between 12 to 13 years, India lags far behind with only 5.4 years of schooling on an average (HDR, 2015). The expected years of schooling in India are also much lower at 11.7 years compared to the developed countries where a child expects to go to school/ college for 17 to 17 years on an average.

5. Benefits of investment in human capital

Education has many benefits for the people for the country as a whole. Initial education and training benefits

individuals by providing better employment and wage prospects. It helps in acquiring measured skills and leads to higher productivity benefits through higher earnings.

Education is beneficial to the firms and organisations by enhancing the productivity of their workforce. Although benefits to firms from investment in human capital is difficult to measure, both individual and firm will benefit from investment and improvement in the human capital. The public labor market training programs are therefore said to be important in increasing the productivity of the labor force.

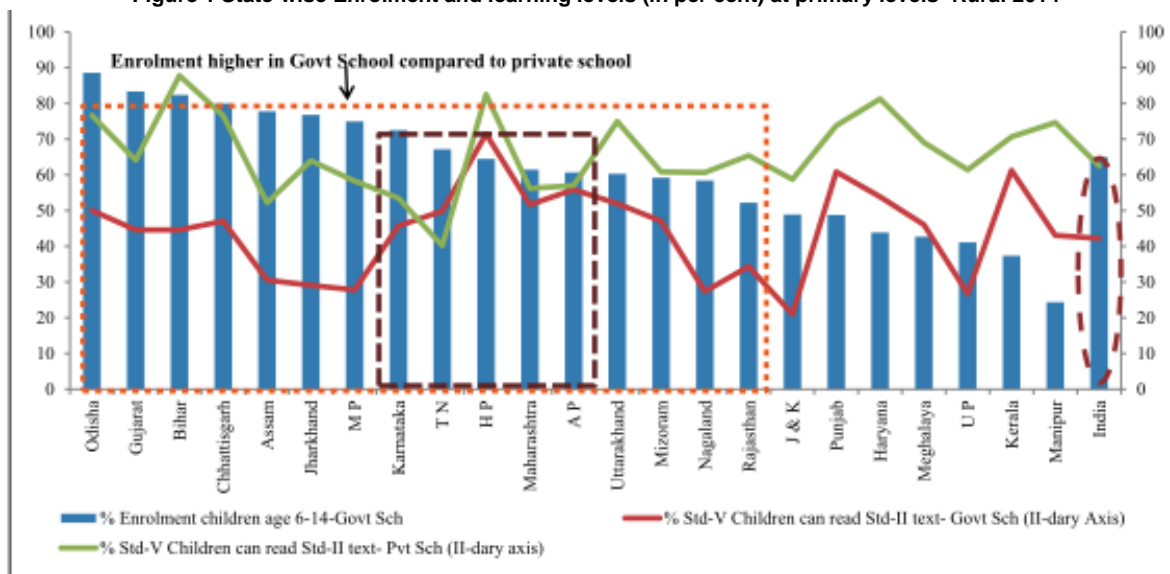
Again, the macro economic benefits to the nations are also manifold. Though it is difficult to disentangle the effects of quality of labor and the effect of the technological capacity of the economy as there is a close interaction between the factors of production and the human input and both are important in themselves as well as together.

6. Education scenario in India

In 2011, the literacy rate in India was 72.9 percent, with male literacy at 80.9 percent and female literacy at 64.6 percent. The literacy rate in Bihar was much lower at 61.8 percent, with male literacy at 71.2 percent and female literacy at 51.5 percent. In order to achieve universal primary education, the Government enacted the Right to Free & Compulsory Education (RTE) Act, 2009 in the year 2010 which provides a justiciable legal environment under which all children in the age-group of 6-14 years will get free and compulsory admission, attendance and completion of elementary education.

The expenditure on education as a proportion of Gross Domestic Product (GDP) has hovered around 3 percent during 2008-09 to 2014-15. there is however much disparity among the states regarding spending on education as well as other social sector indicators which is an important causing of continuing regional disparities and inequalities.

Figure 1 State-wise Enrolment and learning levels (in per cent) at primary levels- Rural 2014



Source: ASER 2014.

The figure 1 shows the state-wise enrolment and reading outcomes in rural areas of Indian states. As can be seen from the figure1 more than 80 percent of children are enrolled in government schools in Bihar which is higher than the all India

average at around 65 percent. However the learning outcomes in public schools versus private schools leave a lot to be desired. The Annual School Education report (ASER) 2014 highlighted the declining quality of education in Indian schools.

Only 42.2% of students in class five in the government schools could read a textbook of standard two, while 62.5% of students from private schools could do so. For Bihar, while the results were similar to the national average, the result of government schools was much below the private schools that performed better than the national average. But the high divergence between private and public schools remains a matter of concern as the poor sections of the country cannot afford private education. However, for mathematical skills, the figures for Bihar are much higher than that of India. (Economic Survey Bihar, 2016: 308)

As per the Economic survey (Bihar, 2016) the total enrolment, taking both primary and upper primary levels, rose to 226.61 lakhs in 2013-14 from 180.35 lakhs in 2009-10, with an annual growth rate of 6.0 percent. The gender gap in elementary education is also decreasing over the years, as the growth rate of enrolment of girls was 8.1 percent during 2009-10 to 2013-14, compared to 3.3 percent for the boys. The problem of school dropout before completing desired level of education is a problem in India as well as Bihar. The reasons behind high dropout rates are divided into economic factors, social and cultural factors, and school environment and infrastructure. In case of Bihar, all these factors are operative in varying degrees. Only 38 percent of students enrolled in Standard I presently complete their secondary education in Bihar though the dropout rate of girls is less than that of boys.

7. Government Schemes for spread of Education

To improve the education scenario, the focus must be on improving both the quantitative indicators as well as qualitative indicators. Under quantitative indicators issues like enrolment levels, completion rates and other physical infrastructure like construction of school buildings/class rooms, drinking water facilities, toilet facilities and appointment of teachers etc. at elementary school level are targeted for improvement (Economic Survey Bihar: 2016: 168).

For the qualitative indicators the government has introduced many other schemes. In order to build an inclusive society and provide education to underprivileged, vulnerable and marginalized people such as SCs, STs, Other Backward Classes (OBC) including Minorities and other Economically Backward Classes, the government has initiated a number of scholarship schemes. National Scholarship Portal, is a single window system for various types of scholarship schemes administered by different Ministries/ Departments.

To overcome the gender bias which is inherent across most sections of society, a 'Digital Gender Atlas for Advancing Girl's Education in India' was launched on International

Women's Day in March 2015. The tool has been developed in partnership with the United Nations Children's Fund (UNICEF) to help identify low-performing geographic pockets for girls, particularly from marginalized groups and provides comparative analysis of individual gender-related indicators over the years. (Economic Survey 2015-16 :195)

The Central Government through the flagship programmes of Sarva Shiksha Abhiyan (SSA) at elementary level and Rashtriya Madhyamik Shiksha Abhiyan (RMSA-Integrated) at secondary level provides assistance to the State Governments and UTs for additional teachers to maintain appropriate pupil-teacher ratio (PTR) as per the prescribed norms for various levels of schooling.(Economic Survey,Bihar 2016: 170). The Bihar government has initiated the Beti Bachao Beti Padhao (BBBP) scheme to improve gender parity index in education in the state by promoting survival, protection and education of girl child (Economic Survey Bihar, 2016: 171).The state has a number of flagship schemes like Mukhyamantri Balika Poshak Yojana, Mukhyamantri Balika Cycle Yojna, Mukhyamantri Balak Cycle Yojna, Mission Gunwatta to foster an environment of improved education in Bihar. National Programme of Nutritional Support to Primary Education (NP-NSPE), known as the Mid-Day Meal Scheme (MDMS), aims to address two issues simultaneously: hunger and education for children of school going age.

8. Conclusion

In order to increase human capital formation in the country efforts must be made to improve the spread of education in India. Similarly to increase the rate of development in Bihar, steps must be taken to improve the education scenario in Bihar. The quality of education determines the quality of human capital and a lot more effort needs to be made to through enrolment and by improving the quality of education in both government and private schools. Investing in human capital by way of education, skill development, training and provision of health care facilities enhances the productivity of the workforce and welfare of the population. India has to evolve a multi-pronged strategy with focus on bridging the gaps in access to social infrastructure. Besides its intrinsic value, education also helps people to acquire knowledge and skill, and enable them for fruitful economic and social participation. All these contribute towards economic growth and human development.

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