

S. No.	Human Capital	Human Development
1.	Human Capital considers education and health as a means to increase labour productivity.	In Human Development, education and health are integral to human well-being because only when people have the ability to read and write and the ability to lead a long and healthy life, they will be able to make other choices which they value.
2.	Human Capital is a narrow concept as it treats human beings as a means to increase in productivity. Any investment in education and health is unproductive if it does not enhance output of goods and services.	It is a broader concept as it considers human beings as ends in themselves. According to Human Development, human welfare should be increased through investments in education and health even if such investments do not result in higher labour productivity.

Need for Government Intervention

The expenditures on education and health assume great importance on the formation of human capital. So, it is very important that such expenditure provides positive results. To ensure favourable benefits, Government intervention is important because of following reasons:

1. The expenditures on education and health make substantial long-term impact and they cannot be easily reversed. *For example*, if a child is admitted to a school or health care centre and required services are not provided in such institute, then substantial amount of damage would have been done before the decision is taken to shift the child to another institution.
2. Individual consumers of these services do not have complete information about the quality of services and their costs.

3. The providers of education and health services may acquire monopoly power and may get involved in exploitation.

So, the role of government is important to ensure that the private providers of these services adhere to the standards stipulated by the government and charge the correct price.

For Reference: Polio Free India – Possible due to Government Intervention: In the past, very less people were aware about polio and its vaccination. But, due to the constant information provided by the government and various NGOs, India was declared a polio free country by World Health Organization (WHO) on 27th March 2014.

Regulatory Authority

- **In Education**, the ministries of education at the union and state level and 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) regulate the education sector.
- **In Health**, the ministries of health at the union and state level, departments of health and various organisations like Indian Council for Medical Research (ICMR) regulate the health sector.

Various Regulatory Authorities

Due to extreme importance of education and health in the human capital formation, following 'Regulatory Authorities' have been formed to regulate education and health sector:

1. **National Council of Educational Research and Training (NCERT):** It is an autonomous organisation set up in 1961 by the Government of India to assist and advise the Central and State Governments on policies and programmes for qualitative improvement in school education.
2. **University Grants Commission (UGC):** It came into existence on 28th December, 1953 and became a statutory organisation of the Government of India by an Act of Parliament in 1956. The main task of UGC is to coordinate, determine and maintain standards of teaching, examination and research in university education.
3. **All India Council of Technical Education (AICTE):** It was set up in November 1945 as a national-level apex advisory body for proper planning and coordinated development of technical education system throughout the country, promotion of qualitative improvements of such education in relation to planned quantitative growth, and regulation and proper maintenance of norms and standards in the technical education system and for the matters connected therewith.
4. **Indian Council for Medical Research (ICMR):** It is the apex body in India for formulation, coordination and promotion of biomedical research and is one of the oldest medical research bodies in the world. ICMR has always attempted to address itself to the growing demands of scientific advances in biomedical research and to the need of finding practical solutions to the health problems of the country.

5. Growth in Government Expenditure on Education

The expenditure by the government on education is expressed in two ways :

1. As a percentage of total government expenditure : It indicates the importance of education in the scheme of things before the government. during 1952-2014, it increased from 7.92 to 15.7.
2. As a percentage of Gross Domestic Product : It expressed the proportion of income spent on development of education in the country. During 1952-2014, it increased from 0.64 to 4.13.

The measure as a percentage of GDP is a better measure as it sets fixed targets rather than variable government expenditure.

Important Points About Government Expenditure

1. **Inadequate Expenditure** : The Expenditure on education in India quite inadequate as compared to the desired level of education expenditure recommended by the various commissions, More than 40 years ago, the **Education Commission (1964-66)** had recommended that at least 6% of GDP should be spent on education. This is required to make a noticeable rate of growth in educational achievements. This was expected to raise the academic standard in the post-independence era. However, the current level expenditure is little over 4%, which is quite inadequate.
2. **Expenditure on Different levels of Education** : Elementary education takes a major share of total education expenditure and the share of the higher/tertiary education (institutions of higher learning like colleges, polytechnics and universities) is the least. Though, on an average, the government spends less on tertiary education, 'expenditure per student' in tertiary education is higher than that of elementary.

However, this does not mean that financial resources should be transferred from tertiary education to elementary education. As we expand school education , we need more teachers who are trained in the higher educational institutions. Therefore, expenditure on all levels of education should be increased.

3. **Difference in Education Opportunities across States** : In 2014-15, the per capita education expenditure differs considerably across states from as high as ₹34651 in Himachal Pradesh to as low as ₹4088 in Bihar. This leads to differences in educational opportunities and attainments across states.
4. **Education Cess** : In the Union Budget 2000-05, the Government of India levied a 2% 'education cess' on all union taxes. The government estimated to get revenue of ₹4000 - 5000 crore and the entire amount was allocated for spending on elementary education.

In addition to this, the government sanctions a large amount of expenditure for the expansion of higher education and new loan schemes for students to pursue higher education.

India as a Knowledge Economy

Moving towards knowledge economy is essential for rapid economic growth with equitable distribution. *Knowledge Economy is referred to a state of affairs when all the sectors of the economy i.e., agriculture, manufacturing and services get activated with infusion of advance knowledge in the respective sectors and contribute increasingly towards economic development.*

The National Knowledge Commission was constituted in 2005 as a high level advisory body by the then Prime Minister of India to address the need for a knowledge oriented paradigm in India. It has identified five key areas of knowledge paradigm that are – (i) access to the knowledge, (ii) knowledge concepts, (iii) creation of knowledge, (iv) knowledge of application and (v) delivery of services.

The Indian software industry has been showing an impressive record over the past decade. Entrepreneurs, bureaucrats and politicians now advancing views about how India can transform itself into a knowledge-based economy by using the Information Technology (IT). There have been some instances of villages using e-mail are cited as examples of such transformation. Likewise, e-government is being projected as the way of the future. Further, trade in services clause of **World Trade Organisation (WTO)** has created remarkable prospects for exporting services of computer personnel. Presently, India has attained a significant progress in training up a good number of computer personnel throughout the country.

Some Reports

Two independent reports on the Indian economy in recent times say that India would grow faster due to its growth in human capital.

- **Deutsche Bank (a German Bank)** in its report on **Global Growth Centre** which was published on July, 2005 says that India will emerge as one of the four major growth centres in the world by 2020.
- **World Bank** also expresses similar views in its report- '**India and the knowledge economy-leveraging strengths and opportunities**'. According to this report, India should make a transition to the knowledge economy if it successfully utilizes, its knowledge as Ireland did. Then, per capita income of India will increase from a little over US \$1,000 in 2002 to US \$3,000 in 2020. The report further states that the Indian economy has all the necessary key inputs such as a vast group of skilled workers, a successful democracy and a diversified science and technology infrastructure.

5.10 EDUCATIONAL ACHIEVEMENTS IN INDIA

Generally, educational achievements in a country are indicated in terms of adult literacy level, primary education completion rate and youth literacy rate (refer **Table 5.2**).

Table 5.2: Educational Attainments in India

Particulars	1990	2000	2011	2017-18
Adult Literacy Rate (% of people aged 15+)				
Male	61.9	68.4	79	82
Female	37.9	45.4	59	66
Primary Completion Rate (% of relevant age group)				
Male	78	85	92	93
Female	61	69	94	96
Youth Literacy Rate (% of people aged 15+ to 24)				
Male	76.6	79.7	90	93
Female	54.2	64.8	82	90

- **Adult Literacy Rate:** Adult literacy rate refers to the ratio of literate adult population to the total adult population in a country.
 - In case of males, the adult literacy rate increased from 61.9% in 1990 to 82% in 2017-18.

- In case of females, the literacy rate was just 37.9% in 1990, which increased to 66% in 2017-18, which is still far below the satisfaction level.

- *Primary Completion Rate:* It is the percentage of students completing the last year of primary school.

- In case of males, the primary completion rate increased from 78% in 1990 to 93% in 2017-18.

- In case of females, the rate increased from 61% in 1990 to 96% in 2017-18.

- *Youth Literacy Rate:* It is the percentage of people ages 15-24 who can, with understanding, read and write a short, simple statement on their everyday life.

- In case of males, there was marginal increase in youth literacy rate from 76.6% in 1990 to 93% in 2017-18.

- In case of females, the youth literacy rate increased from 54.2% in 1990 to 90% in 2017-18.

10. **Future Prospects in Educational Sector**

Education For All : Still a Distant Dream

- The literacy rates for both adults as well as youth have increased. But, the absolute number of illiterates is still as much as India's population was at the time of independence.
- In 1950, it was noted in the *Directives Principles*, of the Constitution that the government should provide free and compulsory education for all children up to the age of 14 years

within 10 years from the commencement of the constitution. Had we achieved this, we would have achieved 100 per cent literacy by now.

Gender Equity : Better than Before

The differences in literacy rates between males and females indicates a healthy development in gender equity.

Female literacy ratio is improving and better than before as reflected in the following table :

Adult Literacy Ratio	1990	2018
Male	62	82
Female	38	66

In India, still women education needs to be promoted for reasons such as :

- (i) To improve economic independence and social status of women.
- (ii) Women education makes a favourable impact on fertility rate and health care of women and children.

So, we cannot be happy with the upward movement in the literacy rates, until 100% literacy rate is achieved.

Higher Education : a Few Takers

- The Indian education pyramid is steep indicating lesser and lesser number of people reaching the higher education level.
- Moreover, the level of unemployment among educated youth is the highest. As per NSSO data, in the year 2011-12, the rate of unemployment among youth males who studied graduation and above in rural areas was 19 per cent. Their urban counterparts had relatively less level of unemployment at 16 per cent. The most severely affected ones were young rural female graduates as nearly 30 per cent of them are unemployed. In contrast to this, only about 3-6 per cent of primary level educated youth in rural and urban areas were unemployed.

Causes of Higher Unemployment rate among the Educated Youth

The high rate of unemployment among the educated youth is due to the following factors :

- Sufficient regular jobs are not available for them.
- Poor schooling as well as the mediocre quality of education is offered at most colleges.
- Educated people are not willing to join in low grade informal jobs.
- Absence of relevant skills is one the major reasons for educated youth unemployment.