



CLASS – 11

ECONOMICS

Indian Economy Development

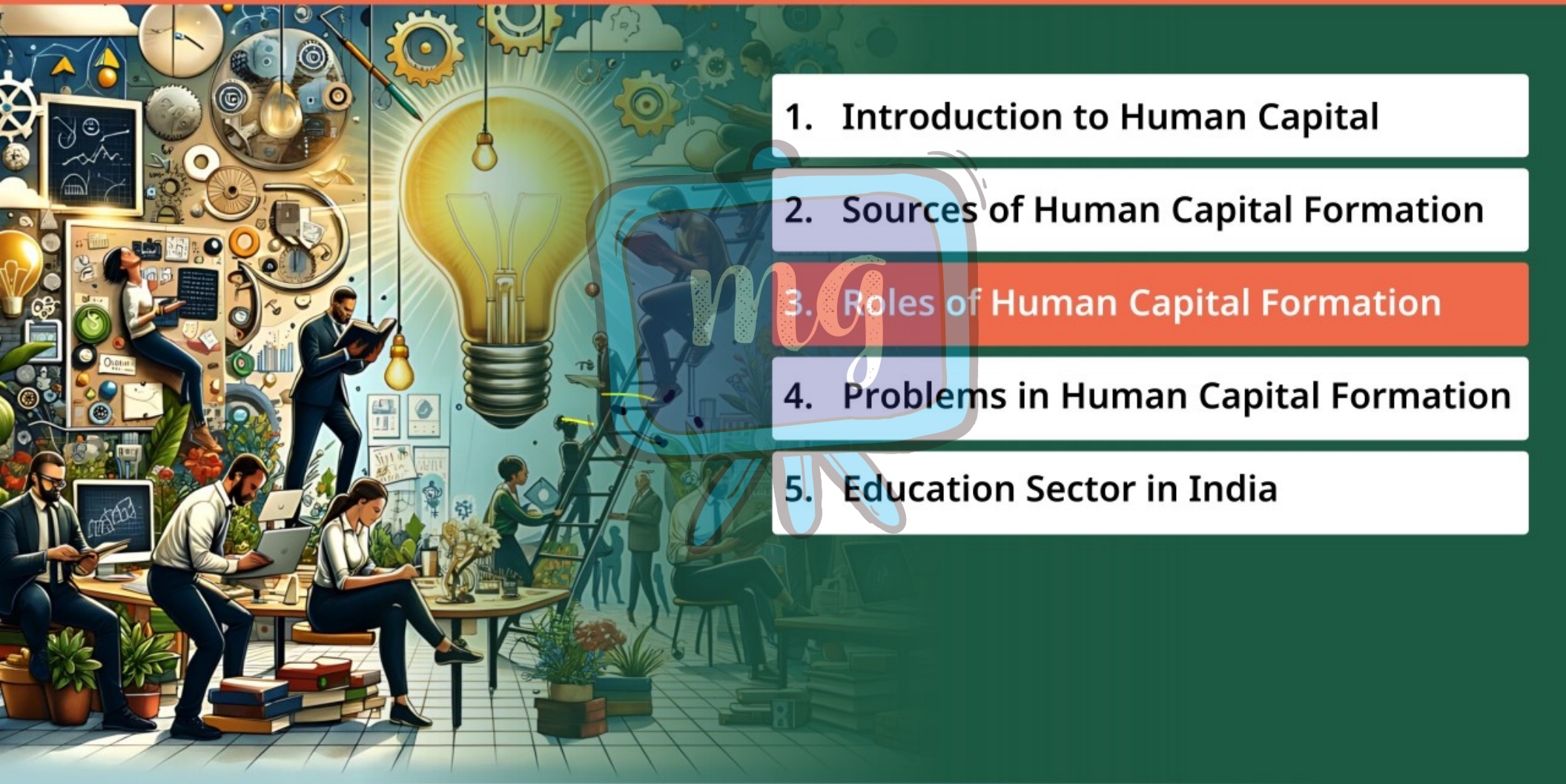
CH-4 : Human Capital Formation In India

Part – 3

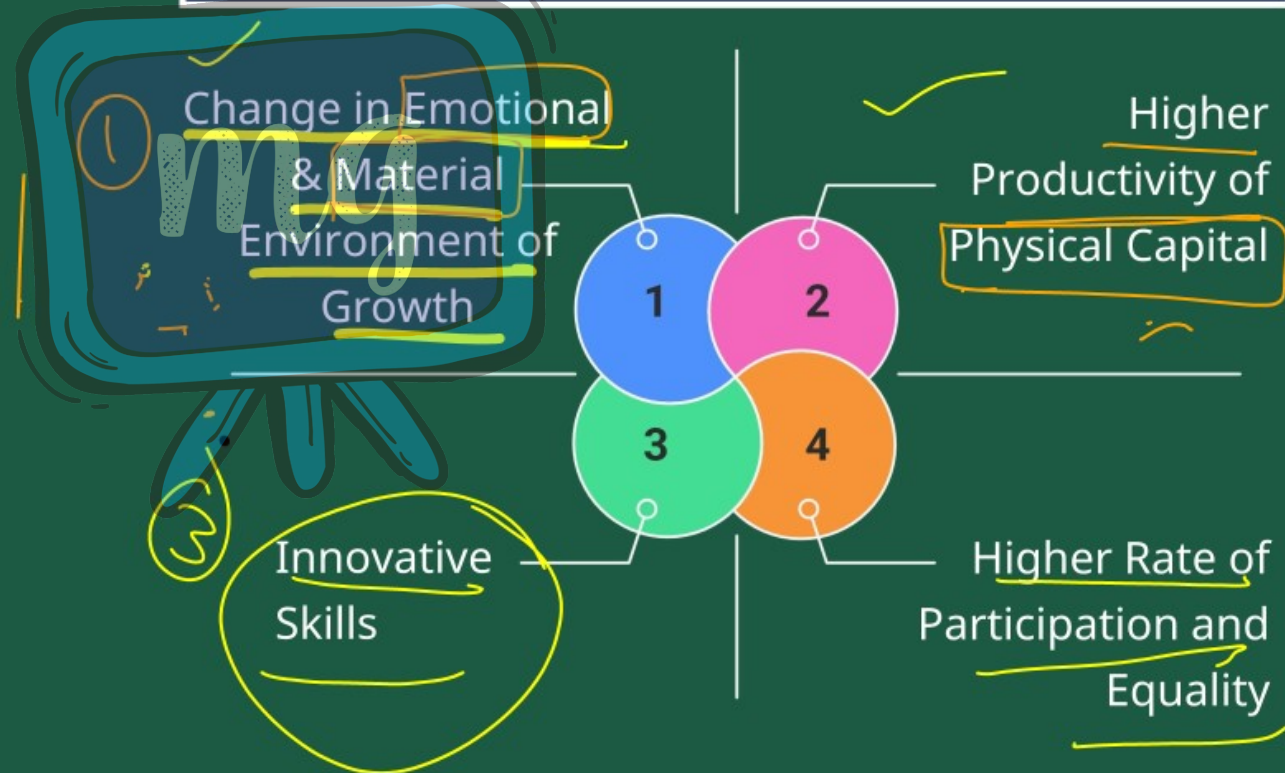
Roles of Human Capital Formation

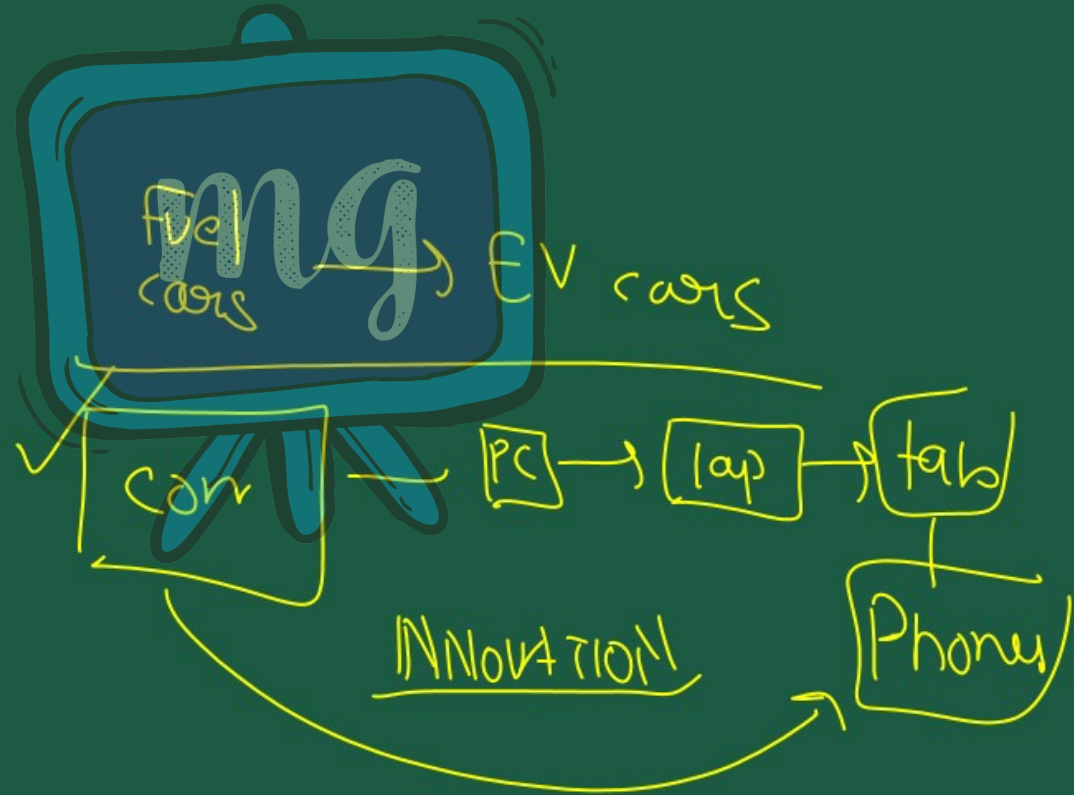
Vaishnavi Agrawal

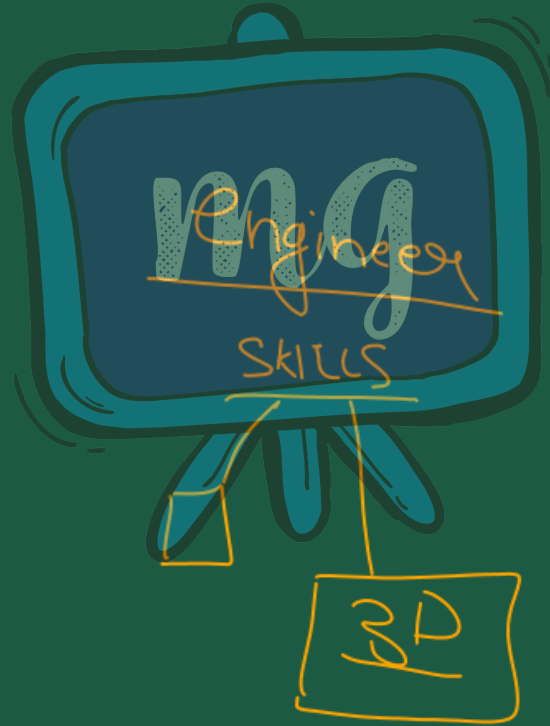
OVERVIEW

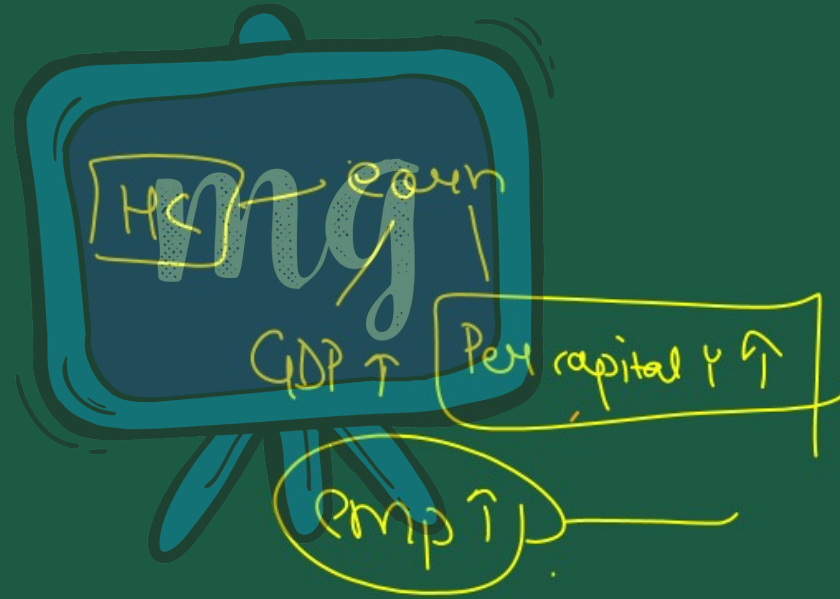
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1. Introduction to Human Capital
 2. Sources of Human Capital Formation
 3. Roles of Human Capital Formation
 4. Problems in Human Capital Formation
 5. Education Sector in India

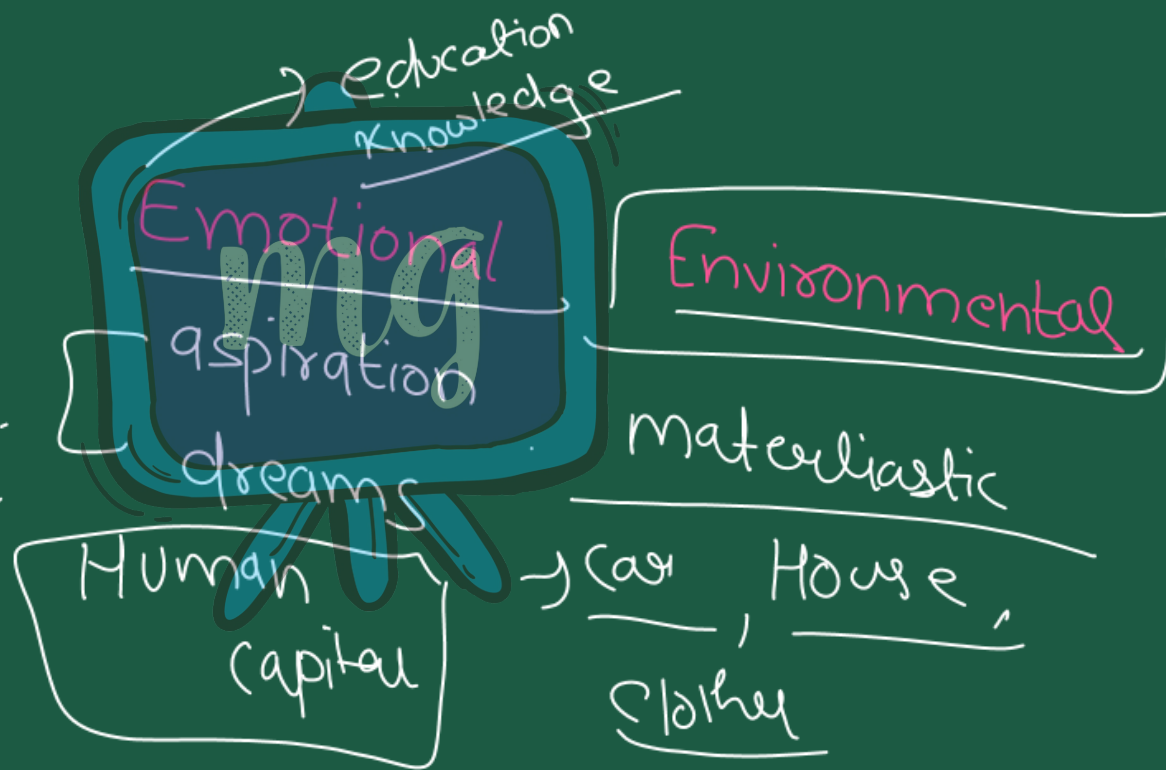
ROLES OF HUMAN CAPITAL FORMATION

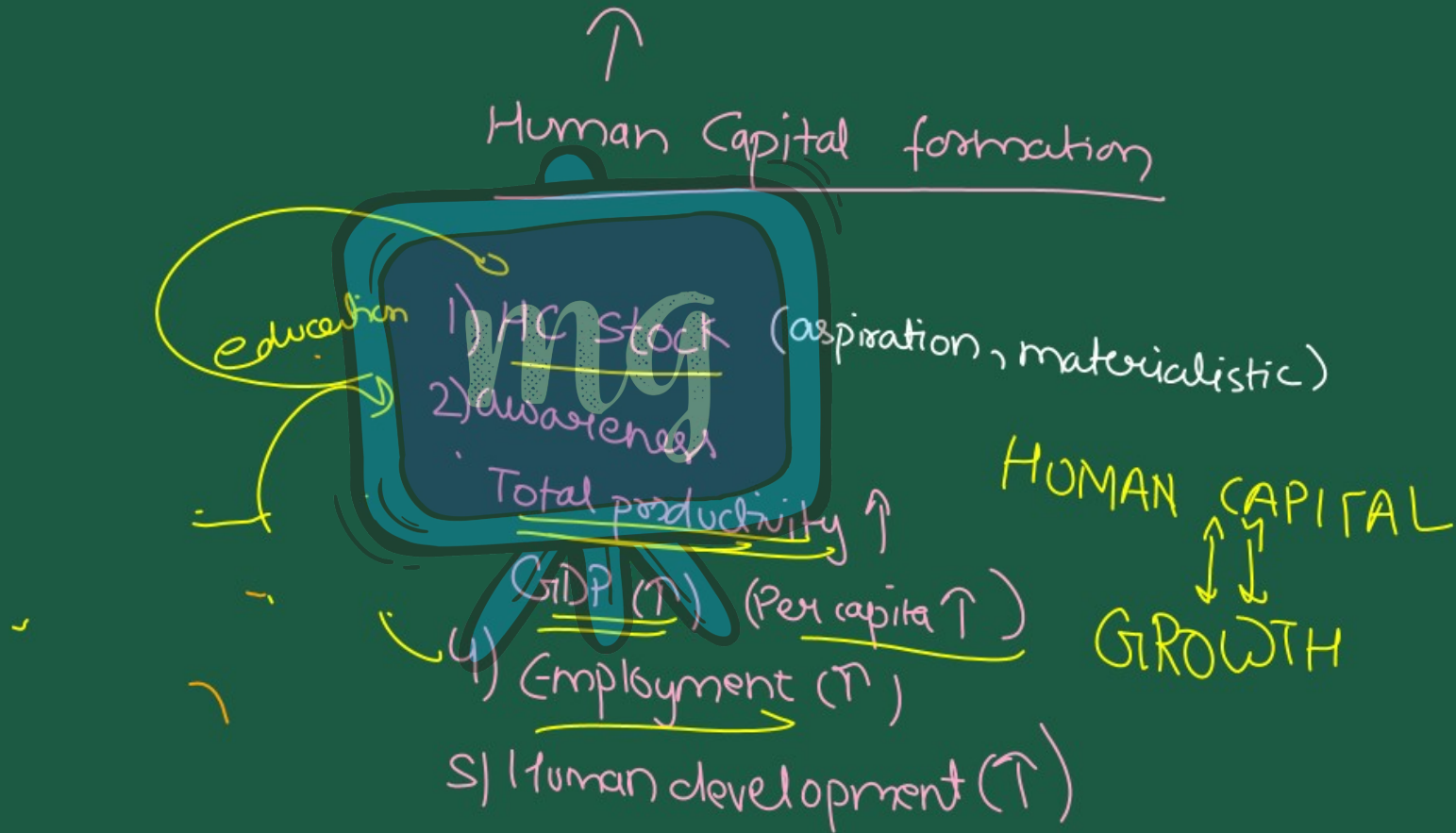












1. Change in Emotional & Material Environment of Growth

✦ The emotional environment becomes conducive to growth as people tend to acquire growth-oriented attitude and aspirations.

✧ The material environment
becomes helpful to growth as the
society now possesses higher
number of skilled and trained
workers to implement the plans
and programmes of economic
growth.



2. Higher Productivity of Physical Capital

✦ Human capital formation increases the productivity of Physical capital (referring to output per unit of capital).

✦ Specialised engineers and skilled workers can certainly handle machines better than others.

✧ It enhances productivity and
accelerates the pace of growth.



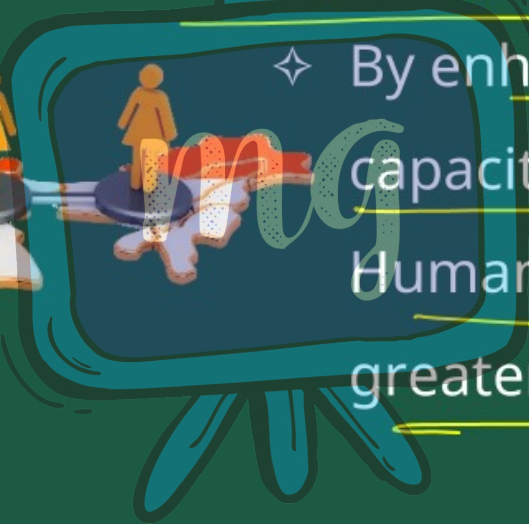
3. Innovative Skills

- ✦ Human capital formation innovations, the under-current growth and development.
- ✦ Larger the number of skilled and trained personnel, greater the possibilities of innovations in the area of production and related activities.

✧ Innovation is the lifeline of growth,
we all know.



4. Higher Rate of Participation and Equality



✦ By enhancing the productive capacities of the labour force, Human Capital Formation induces greater Employment.



- ✧ This increases the rate of participation (percentage of labour force participating in the process of production).
- ✧ Thus, there is a cause-and-effect relationship between human capital and economic growth.

✧ Economic growth also impacts human capital formation.

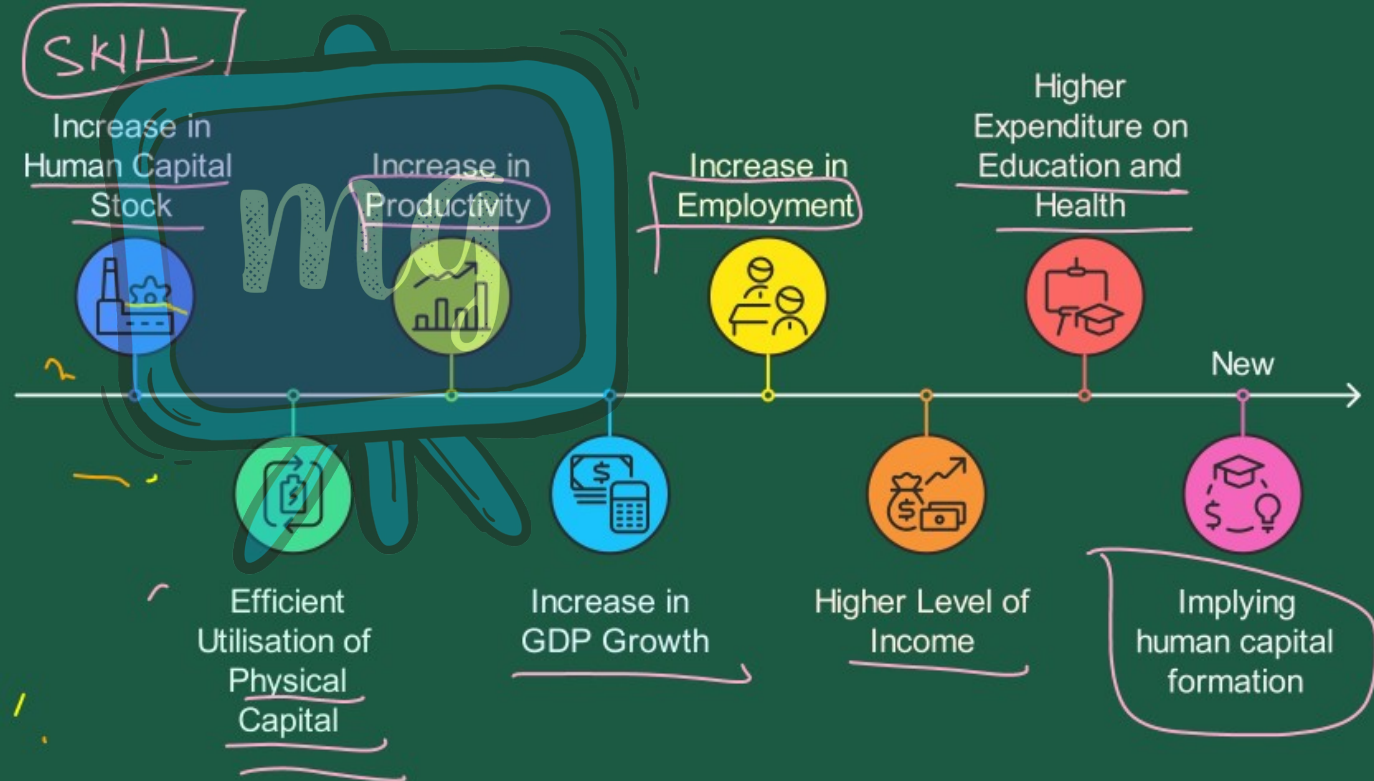
✧ Growth implies an increase in per capita real income (or an increase in per capita availability of goods and services).



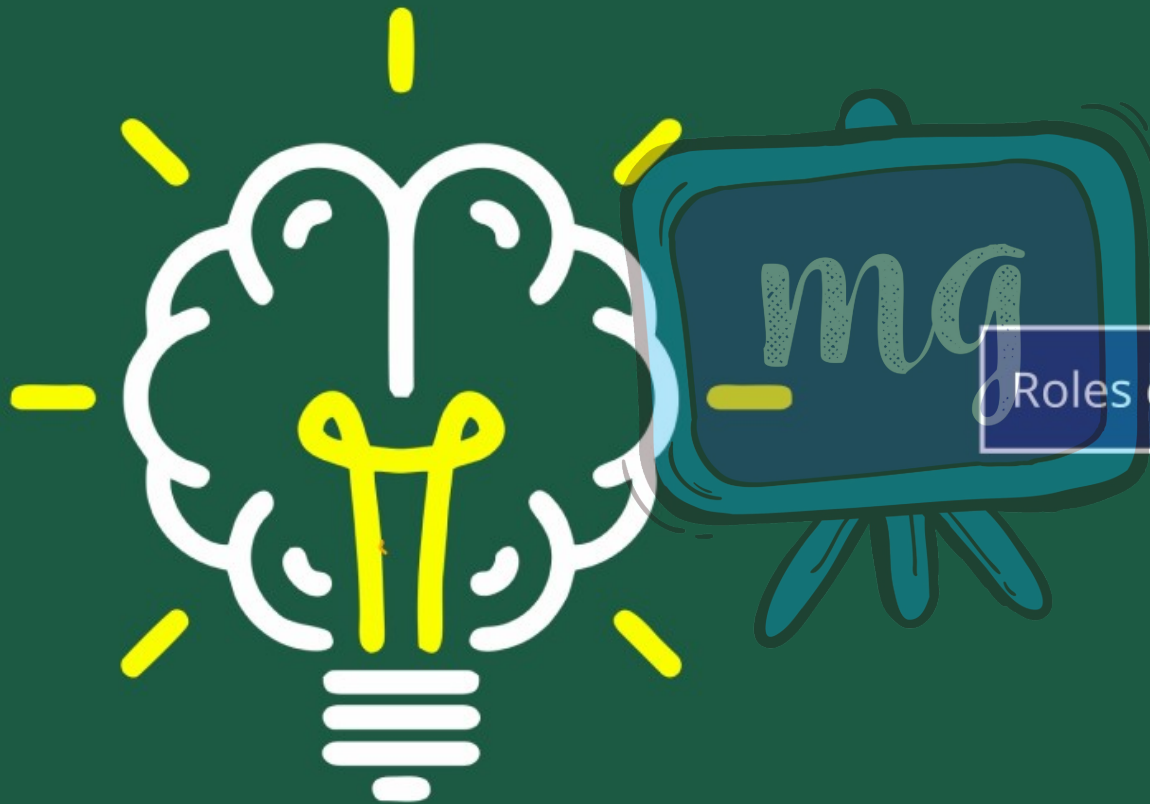
✧ Higher income facilitates higher investment on education and skills implying human capital formation.

✧ Thus, human capital formation prompts the process of growth, and growth prompts the process of human capital formation.

Human Capital Formation Process



LEARNING OUTCOME



Roles of Human Capital Formation

ASSESSMENT

1

Why is Human Capital Formation necessary?

- ☐ A Environmental Growth
- ☐ B Higher Productivity of Physical Capital
- ☐ C Increase in Innovative Skills
- ☒ D All of the above

ASSESSMENT

2

Which of the following is not a step of Human Capital Formation?

- ☐ A Increase in Human Capital Stock
- ☐ B Increase in Employment
- ☒ C Ineffective use of Physical Capital
- ☐ D Higher Level of Income