



# CLASS – 11

## ECONOMICS

### Indian Economy Development

#### CH-4 : Human Capital Formation in India

#### Part – 1

#### Introduction to Human Capital

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

# PHYSICAL CAPITAL

- It includes all those inputs which are required for further production.

- Example :** Plant and machinery, factory, building, raw materials etc.

- Conversion of resources like land into physical capital like factories.



# HUMAN CAPITAL

- ☛ The stock of 'skill and expertise' of a nation and nation's population at point of time.
- ☛ It is the sum total of the skill and expertise of engineers, doctors, professors and workers of all types who are in the process of production.

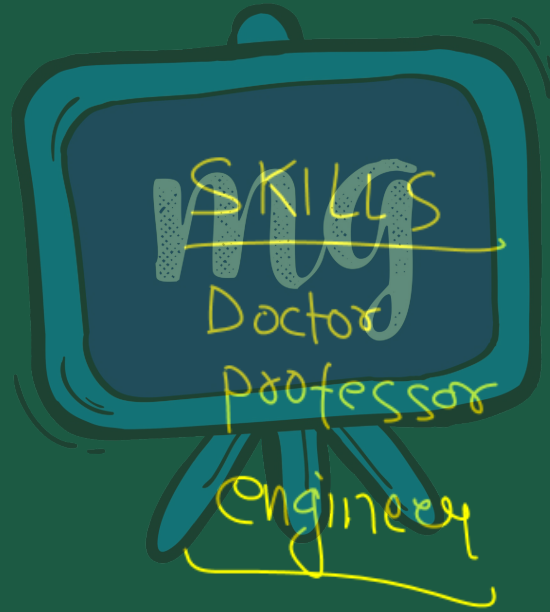


Basis	Physical Capital	Human Capital
Tangibility	It is <u>tangible</u> & can be <u>easily sold</u> in the market.	It is <u>intangible</u> and <u>cannot be sold</u> in the market.
Depreciation	It depreciates with <u>continuous use</u> , the <u>passage of time</u> and <u>expected obsolescence</u> .	Although <u>depreciation occurs</u> with <u>ageing</u> , but it can be <u>reduced by making continuous investments</u> in <u>education and health</u> .

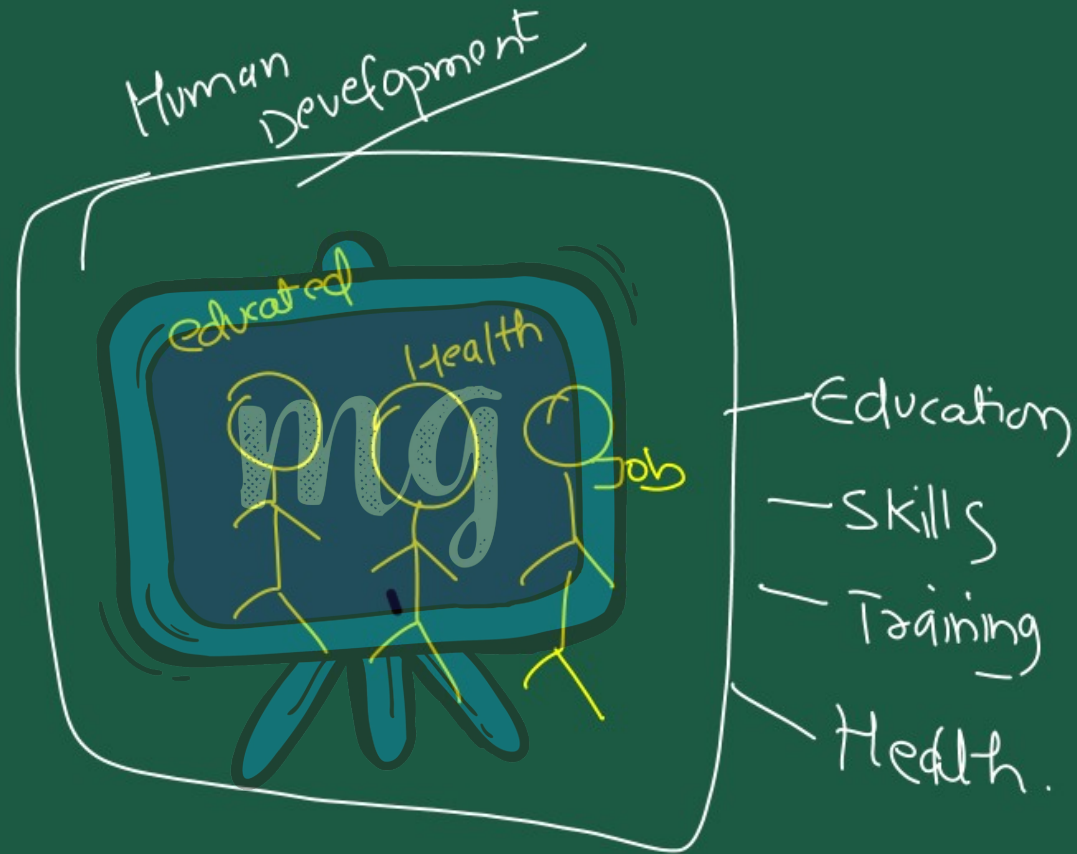
Basis	Physical Capital	Human Capital
Mobility	Although physical capital is completely mobile between countries, but its mobility is restricted due to trade barriers.	Human capital is less mobile between countries as compared to physical capital as movement is restricted by nationality and culture.

Basis	Physical Capital	Human Capital
Separability from Owner	Physical capital (like <u>machinery</u> ) can be separated from its owner.	Human capital (like <u>skills of a person</u> ) cannot be separated from the owner.









## Comparison between Human Capital & Human Development

Human Capital and Human Development are related concepts,  
but certainly not identical.







## Human capital

- Human capital is a means to an end.
- Human capital is a means in the sense that consists of 'skills' as used in the process of production. It consists of 'know-how', abilities, and expertise used as inputs in the production activity.



- An increase in productivity (referring to output per unit of input) is the end result.

- Thus, we want to achieve higher and higher levels of output through extensive and intensive application of human capital.

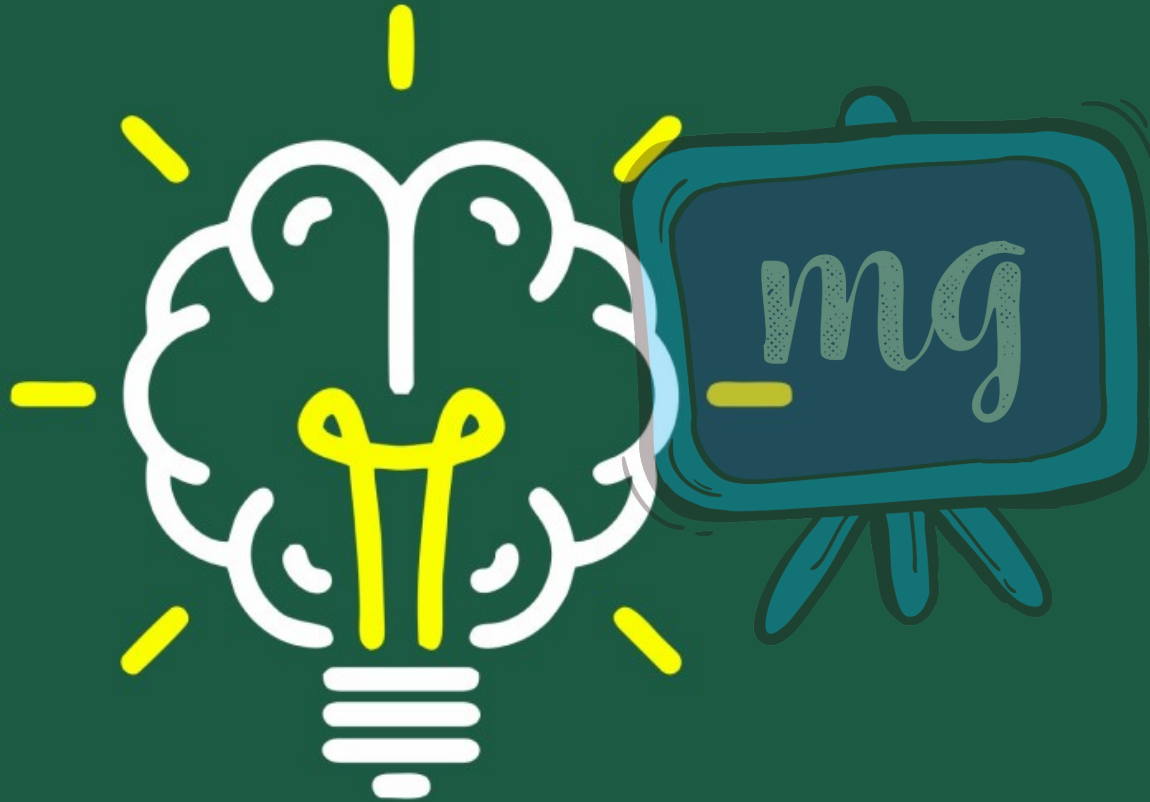


## Human development

- It is an end in itself.
- It refers to the development of individuals as valuable personalities by acquiring a good education and attaining good health Human development occurs when more and more Individuals in a society-are-educated, healthy, and skill-oriented.



# LEARNING OUTCOME



Human Capital



# ASSESSMENT

1

What is Human Capital?



Inputs like land required for further production



Consumer's choices and money they spend on it



Skills, education required for economic development



Both A and B

# ASSESSMENT

## 2

Match the term correctly.

Column I	Column II
(a) Physical Capital	(1) <u>Skills</u> , education
(b) Human Development	(2) Human capital formation for a <u>whole</u> community
(c) Human Capital	(3) Turning <u>raw</u> materials into machineries and assets.

a-3  
b-2  
c-1