

## CHAPTER-4 | Human Capital Formation in India

QUIZ  
PART-01

## 1. What is human capital?

- A. Inputs like land required for further production
- B. Consumer's choices and money they spend
- C. Skills and education required for economic development
- D. Both A and B (C)

**Explanation :** Human capital refers to the stock of skills, expertise, and knowledge embodied in people, which contributes to economic development.

## 2. Which of the following is not an example of physical capital?

- A. Plant and machinery
- B. Factory buildings
- C. Raw materials
- D. Skilled workforce (D)

**Explanation :** A skilled workforce is human capital, not physical capital like machinery or raw materials.

## 3. Which of the following is true about physical capital?

- A. It is intangible and cannot be sold
- B. It depreciates with use and time
- C. It cannot be separated from its owner
- D. It is less mobile compared to human capital (B)

**Explanation :** Physical capital depreciates over time due to wear, tear, and obsolescence.

## 4. How can depreciation of human capital be reduced?

- A. By restricting labour mobility
- B. By investing in education and health
- C. By increasing physical infrastructure
- D. By producing more raw materials (B)

**Explanation :** Continuous investments in health and education reduce depreciation of human capital despite ageing.

## 5. Which statement is correct regarding mobility?

- A. Human capital is more mobile than physical capital
- B. Physical capital is restricted due to nationality and culture
- C. Human capital mobility is restricted by nationality and culture
- D. Both types of capital are equally mobile (C)

**Explanation :** Human capital mobility is limited by factors like nationality, culture, and legal barriers, unlike physical capital.

## 6. Which feature differentiates physical capital from human capital?

- A. Physical capital cannot be separated from its owner
- B. Human capital can be easily sold in the market
- C. Physical capital can be separated from its owner
- D. Human capital is tangible (C)

**Explanation :** Machinery and factories can be sold and separated from the owner, but human skills are inseparable.

## 7. What is the main purpose of human capital in production?

- A. It is an end in itself
- B. It is a means to increase productivity
- C. It reduces national income
- D. It substitutes physical capital completely (B)

**Explanation :** What is human development considered as?

## 8. What is human development considered as?

- A. A means to higher productivity
- B. An end in itself
- C. A substitute for physical capital
- D. A short-term economic policy (B)

**Explanation :** Human development focuses on improving individuals' education and health, making it an end in itself.

## 9. Which of the following best reflects human development?

- A. More factories and machines
- B. More educated, healthy, and skilled individuals
- C. More investment in physical infrastructure
- D. More restrictions on labour mobility (B)

**Explanation :** Human development is achieved when individuals become educated, healthy, and skill-oriented.

## 10. Match the terms correctly:

- (a) Physical Capital — (3) Turning raw materials into machinery and assets
- (b) Human Development — (2) Human capital formation for a whole community
- (c) Human Capital — (1) Skills, education
- A. a-1, b-2, c-3
- B. a-2, b-3, c-1
- C. a-3, b-2, c-1
- D. a-1, b-3, c-2 (C)

**Explanation :** Physical capital = machinery/assets; Human development = society-wide skill/health improvement; Human capital = skills/education.