



**PERFECTION
IAS**

50 DAYS PLAN

Mains Answer Writing Program
for **BPSC 67**

INDIAN ECONOMY

21. Examine the human capital importance in social-economic development of Indian economy? What are various reports/ indices in this regard.

भारतीय अर्थव्यवस्था के सामाजिक-आर्थिक विकास में मानव पूंजी के महत्व का परीक्षण करें? इस संबंध में विभिन्न रिपोर्ट/सूचकांक क्या हैं?

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21. Examine the human capital importance in social- economic development of Indian economy? What are various reports/ indices in this regard.

Approach

Introduction: Briefly describe the correlation between human capital and development

Body

1. Explain how human capital helps for economic development
2. Explain how human capital helps for social development
3. Mention various reports and substantiate your argument

Conclusion : Conclude with futuristic note

Introduction

Human capital consists of the knowledge, skills, and health that people invest in and accumulate throughout their lives, enabling them to realize their potential as productive members of society. Investing in people through nutrition, health care, quality education, jobs and skills helps develop human capital, and this is key to ending extreme poverty and creating more inclusive societies.

Importance of human capital for economic development

1. Economic progress

- Human capital is the fundamental source of economic growth. It is a source of both increased productivity and technological advancement.
- Human capital is positively correlated to economic growth since investment tends to boost productivity. The process of educating a workforce is a type of investment, but instead of capital investment such as equipment, the investment is in human capital.
- Long-term economic growth depends increasingly on improvements in human capital. Better educated, innovative and creative workforce can help increase labour productivity and economic growth.

2. Quality of employment

- In the modern economy, there is increasing divergence between low-skilled, low-paid temporary jobs (gig economy). High-skilled and creative workers have increased opportunities for self-employment or good employment contracts.
- People with high skill employed in emerging sectors like machine learning, artificial intelligence and block chain technology. It helps to improve the quality and employment in India

Importance of human capital for Social development

3. Innovation

- It is commonly understood that one of the key ingredients of innovation is human capital, defined as the skills, knowledge and experience of a work force. Human capital strengthens the capacity of country to absorb and develop new knowledge and as such it is an essential part of both frontier and catch-up innovation.
- Human capital Strengthen effort to create and commercialize knowledge, better diffusing existing knowledge and increasing the capacity of smaller enterprises to absorb it.

4. Poverty

- Poverty is both a cause and consequence of deficiencies in human capital.
- Increase in human capital leads to a decline in poverty levels.
- It can open the door to jobs, resources, and skills that help a person not only survive, but also come out of poverty
- Human capital formation helps to enhancement of education levels, improvement of health status, the gaining of skills and experience, increasing time away from home and choosing suitable occupations, all can contribute greatly to the reduction poverty in India

5. Women empowerment

- Human capital given women the chance to participate fully in social, political and economic spheres of life.
- Human capital help women's access to and command over tangible and intangible resources, such as wealth, property, employment, knowledge and information, social aspect would include changing the existing discriminatory ideology and culture, which determine the environment for women's existence.
- The IMF estimates that equal participation of women in the workforce will increase India's GDP by 27 percent. Thus human capital helps to increase the condition of women providing education, employment, and also eliminate various socio-economic issue faced by women.

6. Reduce inequality

- Human capital is a fundamental economic resource in the knowledge economy era, and improvements in education are usually associated with both economic development and the reduction of inequality.
- By improving the productive measures of the labour force, the formation of human capital increases excellent employment. This leads to a high rate of participation in the labour force. It reduces the gap between the poor and the rich.

Various Reports related to human capital

1. Human capital index

- India ranks 116th amongst 174 countries on the Human Capital Index 2020 based on survival, health, and education, with a slight increase in score to 0.49 from 0.44 in 2018.
- Literacy is one of the most essential indicators of the quality of a country's human capital. India has made significant progress in improving literacy over the years
- According to the report Protecting and investing in people is vital as countries work to lay the foundation for sustainable, inclusive recoveries and future growth.

2. Human Development Index

- India's HDI value for 2019 is 0.645 which put it in the medium human development category. India has been positioned at **131 out of 189 countries and territories**,
- Indian's, life expectancy at birth is 69.7 years in the report. Between 1990 and 2019, India's life expectancy at birth increased by 11.8 years.
- Also, between 1990 and 2019, India's mean years of schooling increased by 3.5 years, and expected years of schooling increased by 4.5 years.
- India's Gross National Income (GNI) per capita is USD 6,681 which increased by about 273.9% between 1990 and 2019.
- At \$2.3 trillion, the Indian economy has grown nearly 9 times since 1991. It shows that there is a strong correlation between human capital and economic growth

3. India Skills Report

- According to the report, Maharashtra and Kerala have the highest pool of employable talent in the country. Because of the talent pool Maharashtra is one of the leading industrial state and Kerala stays tops in various social indicators like literacy and also tops in NITI Aayog health index.
- Due to large talent pool India's employability has improved marginally to 46.2 per cent from 45.97 per cent this year, according to India Skills Report (ISR) 2022. The gender gap in employability has also bettered with the women employable pool constantly increasing. According to the report, 51.44 per cent of women are highly employable, whereas 45.97 per cent of men are highly employable.

Conclusion

The economic and social benefits of human capital formation and human development are well known. The union and state governments in India have been earmarking substantial financial outlays for development of education and health sectors. The spread of education and health services across different sectors of society should be ensured so as to simultaneously attain economic growth and equity. India has a rich stock of scientific and technical manpower in the world. The need of the hour is to better it qualitatively and provide such conditions so that they are utilized in India.

