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EDUCATION SKILL DEVELOPMENT AND HUMAN CAPITAL FORMATION

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Abstract
Human capital is a measure of the skills, education, capacity and attributes of labour which influences their productive capacity and earning potential. It is possible through creation of skilled, trained and efficient labour force by providing better education, health, and care facilities. This paper, therefore, examines the role of higher education in human capital formation in India and skill development. The interrelation between higher education, human capital, individual well-being, and development of the country was determined. A number of measures to be taken in the system of higher education to prevent losses i n human capital and to optimize the process of its formation have been formulated. The situation in the field of higher education development and human capital accumulation in India was studied through the prism of a new paradigm of thinking. The trends for intellectualization of India society and improvement of human resources quality have been identified. Human capital—defined as the "stock of economically productive human capabilities"81 — encompasses knowledge, health, skills, entrepreneurial talent, determination and other human traits that lead to success in endeavors.

Keywords: Human Capital Formation, Higher Education, Skill Development, Human Resource Development, Economic Development.

Introduction:

The human capital formation plays crucial role in the economic and skill development . Firstly, formation of human capital would tend to change the traditional society to modern society, which has higher scope for economic development. Secondly, human capital increases the productivity of the physical capital (for example, they can handle the tools and machines in better way). Enhanced productivity would accelerate the growth. Thirdly, higher standard of life is possible only via development of human capital. Fourthly, human capital formation facilitates the use and growth of innovation. Innovation is the principal determinant of growth. Fifthly, human capital formation increases the rate of participation. Higher the rate of participation, greater is the degree of economic equality in the society. Finally, investment in human capital yields larger returns and the returns on this type of investment far outweigh its input costs. For example, training of the workers increases their productivity which ultimately leads to overall increase in production. Migration of human capital helps the underdeveloped countries to acquire technical skills, efforts reducing methods and efficient way of performing task.

Knowledge is the third eye for skill development and human capital development all of us. It is the most important factor for economic development and economic prosperity in the 21st century. Through its capacity to augment productivity ,it increasingly constitutes the foundation of a country's competitive advantage [Poster1990].Education is the process of facilitating learning or the acquisition of knowledge ,skills, values, beliefs, and habits. Education must facilitate the cultivation of a healthy thought process and groom our cognitive abilities .In the present competitive world education is a basic necessity for human beings after food, cloths, shelter. As we know Education plays an important role in the economic development of any nation. Thus, education expenditure is always on main priority .In this regard, education has been playing an important role in economic and particularly human development and thereby capital development in India. Additionally, education is one of the decision

factors in life chances, equal opportunity and advancements .It is the most powerful instrument for developing and empowering the citizens to master their social and cultural environment and compete for survival. It increases individual's chances for employment in the labour market and allow them to reap pecuniary and non-pecuniary returns and gives them opportunity for job mobility [Schultz 1961,1982].

India's higher education system is the third largest in the world, next to the United States and China .The main governing body at the tertiary level is the University Grants Commission which enforces its standard, advises the Govt., and helps to coordinate between the centre and the state. As per 2011 census about 8.15% [68 million] Indians are graduates with Union territories of Chandigarh & Delhi topping the list with 24.65% and 22.56% of their population being graduates respectively. Indian higher www.ijcrt.org © 2018 IJCRT | Volume 6, Issue 2 April 2018 | ISSN: 2320-2882 IJCRT1812003 International Journal of Creative Research Thoughts (IJCRT) www.ijcrt.org 39 education system has expanded at a rapid pace by adding nearly 20,000 colleges and more than 8 million students in a decade from 2000-01 to 2010-11.India has 799 universities, 44 central universities ,540 state universities ,122 deemed universities, 90 private universities,5 institutions established and functioning under the state Act,75 institutes of national importance which include AIIMS ,IITS'S and NIT's ,and also 39,071 colleges as Government Degree Colleges and Private colleges.

THE HUMAN CAPITAL THEORY:

This theory attempts to answer on, "Why the decision to invest in education is made?" The theory is therefore relevant at the decision making stages. The proponents of this theory (Theodore Schultz, 1988; Garry Becker, 1967) see human capital as how education increases the productivity and efficiency of workers by increasing the level of their cognitive skills. In other words, they see human capital as the stock of economically productive human capabilities, which

can be formed by combining innate abilities with investments in human beings. Examples of such investments include expenditures on education, on-the-job-training, health and nutrition. Such expenditures increase future productive capacity at the expense of current consumption. The provision of education is seen as a productive investment in human capital, an investment which the proponents of the human capital theory consider to be equally worthwhile than that in physical capital. The notion of education as a capital good is rooted in this concept of human capital, which attached a high premium to human skills as a factor of production in the development process. Human skill or productivity has been found by this theory to be just as important an input in the process of development as finance, natural wealth, and physical plant. The proponents of the theory have established that basic literacy enhances the productivity of workers in low skill occupation. In this regard, an instruction that demands logical or analytical reasoning, or provides technical and specialized knowledge, increases the marginal productivity of workers in high-skill or professional positions. Thus, educational choices may be assimilated to investment decisions where rational individuals decide on the optimal amount of education they wish to acquire so as to maximize the net return to education. Access to schooling ensures increase in the stock of human capital in the society. This enhances national productivity and economic growth. Additional schooling however is expected to generate benefits in terms of enhanced future earnings, but also entail costs: direct as well as opportunity cost resulting from delayed entry into the labour market. It is also noteworthy that the human-capital theory contends that education participation/enrolment is an investment decision by which individuals forgo time and resources in return for higher wages in future. People invest in education due to consideration they have given to the future earnings streams that will result. From these submissions, it would be possible for individuals or households to build up human capital by investing in education with the expectation of deriving some satisfactory future benefits.

Incidentally, such benefits would include increased earnings, heightened social status, higher economic prestige associated with

HUMAN CAPITAL FORMATION AND EDUCATION IN INDIA:

Human capital formation is the outcome of investments in higher education, health on the job training, migration and information. Of these education and health are very important sources of human capital formation. Education and health care services create both private and social benefits and this the reason for the existence of both private and public institutions in the education and health service markets. Expenditure on education and health make substantial long term impact and they cannot be easily reversed, hence government intervention is essential. In India the ministries of education at the union and state levels, departments of educations and various organisations like National council of educational Research and training [NCERT], University Grant Commission[UGC]and All India Council of Technical Education[AICTE] facilitate institutions which come under the education factor. Similarly, the ministries of health at the union and state level, departments of health and various organisations like Indian Council for Medical Research facilitate institutions which come under the health sector.

higher educational qualifications such as a first, second and doctorate degrees. It can be inferred from the foregoing submissions that basic literacy enhances the productivity of workers in low skill occupations. Furthermore, an instruction that demands logical or analytical reasoning, or provides technical and specialized knowledge, increases the marginal productivity of workers in high-skill or professional positions. Few studies have investigated the rate of return expectations on educational decisions. In Goux and Maurin (1997) analytical study of France, it was found out that neglecting the income expectations of students will lead to the problem of overestimating the impact of social background on school enrolment. Kodde(1985), integrated future income, forgone earnings, overall unemployment and education- specific employment opportunities in a model of demand for education. He tested the model on a sample of Dutch high

school graduates, and found that both monetary arguments and employment prospects influence the demand for education. This submission is confirmed by Mingat and Tan (1996), who found that on the basis of aggregate data, college enrolment rates are sensitive to unemployment level and economic conditions in the nation in question. Related studies were also carried out by Wilson (2000), who focused on the extent to which American youth's www.ijcrt.org © 2018 IJCRT | Volume 6, Issue 2 April 2018 | ISSN: 2320-2882 IJCRT1812003 International Journal of Creative Research Thoughts (IJCRT) www.ijcrt.org 42 high school graduates decision on enrolment respond to economic incentives, in particular, expected income return. The result however suggests that youths appears.

India's large youth population for developing human capital can be seen easily at the grassroots level. In villages and small towns, the expansion of government schools (making it more inspectionable), Kendriya Vidyalayas, and state universities has increased access to education, while schemes like Skill India and Pradhan Mantri Kaushal Vikas Yojana provide vocational training in trades such as tailoring, electrical work, computer applications, and mobile repair. At the same time digital initiatives like Digital India have enabled rural youth to access online learning, banking, and employment platforms. Self-help groups, startup incubation centers across states and rural entrepreneurship programs are empowering young people to start small businesses contributing to local employment generation. These grassroots efforts transform young individuals into skilled, healthy, and productive workers, attracting investment and strengthening sectors such as agriculture, MSMEs, IT services, and manufacturing. Thus, India's demographic advantage, when supported by education, healthcare, and skill development at the local level, becomes a powerful engine for sustainable economic growth and national development.

GENDER INCLUSIVITY IN HUMAN CAPITAL:If we precisely observe India's population can significantly advance gender equality when human capital investments consciously include girls and young

women (GENDER EQUALITY). At the grassroots level, expanded schooling, scholarships, and residential facilities have increased female enrolment in secondary and higher education, narrowing the literacy gap. Evidences can easily be observed like Skill-based programs such as "Beti Bachao Beti Padhao" that promote education and survival of the girl child, while Pradhan Mantri Kaushal Vikas Yojana offers vocational training that enables young women to gain employable skills. Digital initiatives under Digital India further help women access online education, entrepreneurship platforms, and financial services. As more young women enter higher education, startups, self-help groups, and formal employment, household incomes rise and decision-making becomes more inclusive. Economically empowered women invest more in health and education for their families, creating an intergenerational impact. Thus, when India's demographic dividend is combined with equal access to education, skills, and employment opportunities, it not only strengthens human capital but also accelerates gender equality and social transformation.

Investment Education has played a transformative role in strengthening human capital in India particularly at the grassroots level. The expansion of government school's mid-day meal schemes and scholarship programs has increased enrolment and reduced dropout rates in rural and economically weaker sections. GOI Initiatives such as Samagra Shiksha have improved school infrastructure, teacher training, and digital classrooms, ensuring better learning outcomes. At the same time, reforms under "National Education Policy 2020" emphasize skill-based learning, vocational integration, and holistic development from an early stage.

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