

Human Capital Formation and Economic Development: A Case Study in Palakkad District of Kerala

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Abstract: For any country to achieve economic growth and prosperity human capital formation plays a crucial role. A country with a large quantity of natural resources is in a position to develop more quickly than a country which is scarce of such resources. However, the presence of large quantity of resources is not a sufficient enough condition to explain all aspects of economic growth. Economics are created and managed by people. The people must be skilled and energetic enough for performing the duties required to build an economy which is self-sufficient. Economic prosperity and economic decline depend on population. This is called human capital. Human capital formation extend competency in terms of knowledge, skills, efficiency, technology adoption, time management, labour mobility of workforce. The study on human capital for economic development is particularly important in a Indian economy with highest population of skilled and unskilled laborers.. Therefore this study is taken to fill the gap to some extent and to focus the importance of human Capital in economic development.

Keywords: Human capital formation, Human capital, Human resource, Economic Development.

I. Introduction: Human resource is the active agent which accumulates capital and exploits natural resources in order to build developed organizations. But all human cannot be treated as human capital. Humans need competencies i.e. knowledge, skills, attitudes and values known as human capital. Human resource development improves all competences of labour which raise labour utilization and productivity. The human capital formation means investing in education, health and training programme of the present and future manpower. Therefore, the present study focuses on human capital formation and its contribution to economic development in the context of increasing emphasis about its role in present day world.

II. Concept of Human Capital, HRD and Human Capital Formation.

A. Human Capital: Human capital refers to various peculiarities of human beings, that brings fruitful results of services or income over time. These various shades of human capital include education, vocational skills, nutritional status, health, culture and values. The term human capital was first used in 1961 by Nobel prize winning economist. Theodore W. Schultz in his article American Economic Review. His basic thesis was that investments in human capital should be accounted for in the same manner as investments in plant and machinery.

However, the concept of human capital was first defined by the World Development Report in 1995. According to the World Development Report (W.D.R. 1995) human capital consider, 'the skill and capabilities embodied in an individual through health, nutrition, education and training. All these human welfare measures require for human capital formation.

B. Human Capital Formation: Human Capital Formation can be defined as the investment made in education, health and training programme of the present and future manpower. The main objective of human capital formation is skill enhancement through step by step learning and achieves development. F.A. Harbision (1964) defined human capital formation as the process of acquiring and increasing the number of persons who have the skills, education and experience, which are critical for the economic and political development of the country. Thus Human capital formation is a term associated with investment in man and his development. The ultimate objective is to change man as creative and productive resources. According to Prof. Schultz (1961) there are six ways of improving the quality of population.

- Health facilities and services.
- Job training
- Formally organized education at the elementary, secondary and higher levels.
- Study programmes for adults
- Migration of individuals by changing jobs
- Social and economic equity.

C. Human Capital and HRD: There are six causes of economic development. They are foreign trade, allocation of resource, structural transformation, technological transfer, savings and investment and Human Capital formation. These can be achieved through human resource development. Therefore Human resource development (HRD) views humans as resources to be trained, educated and developed within the system of an organization for the purpose of enhancing the productivity of the organization through the expertise of its workforce. The relationship between human capital and

human resource development stems from their focus on the use of labour force in the process of economic productivity in the broader sense of the term.

III. Importance of the Study: Palakkad, the largest district of Kerala is situated in eastern part of the state. This district is mainly agrarian in nature according to 2011 census, the population of the district is 2, 810, 892. The literacy rate is 84.35 in 2001 and increased further to 89.31% in 2011. The human capital formation of Palakkad district is also an important factor in the economic development of our state. From our study and observations that was made on the secondary source materials it is found that Palakkad district is blessed with huge natural resources such as land, forest and availability of water. But the presence of natural resources is not sufficient to achieve economic development. Manpower with high skills can only convert these physical and god blessed resources for the benefit of the nation as a whole.

Therefore, in the present study analysis the role of human capital in economic development.

IV. Reference Period: The reference period for literacy rate, per capita income, population is based on two census period i.e. 2001 to 2011.

V. Objective of the study:

1. To study the size and structure of human resources in the study area in order to examine human resource development.
2. To estimate the size of human capital in the study area.
3. To study the relationship between human capital and economic development.
4. To identify human capital formation.

VI. Hypothesis: The two hypothesis for testing are:

H1 There is positive relationship between the literacy rates of different census period and per capita income during the same period.

H2 Human welfare measures are necessary precondition to improve work efficiency of human capital formation in a region.

Human welfare measure include educational facilities, medical facilities, water supply, fair price shops, transport and other facilities necessary for growth of human capital.

VII. Methodology of the study

- A. **Sample Technique:** The data have been collected using sampling rough purposive strata sampling method through field investigation using a pretested questionnaire from urban and rural areas around the Palakkad district.
- B. **Sample Size:** A total of one hundred and fifty (150) respondents were selected in and around Palakkad district for the collection of primary data.
- C. **Sources and collection of data design:** The study is analysed by collecting information from primary and secondary sources . The secondary sources include official reports of central and state government of India, District statistical handbooks, published books, news papers, articles in different journals etc. Information from different websites are used as a source of material for the study. For our study to test our hypothesis we have selected Palakkad district as universe for collection of primary data. We have selected there subdivisions such as Pattambi, Shoranur and Ottappalam. Again two rural areas are selected from Shoranur and one urban area each from Pattambi and Ottappalam and respondents are randomly selected in order to know the development of human resources for our study. To study human capital formation, teachers and people who understand the working of schools are contacted. Similarly to understand the welfare measures for government employees, government employees are also selected from three areas. Field study was made to these places for direct observation through appropriate questionnaire.
- D. **Tools and Techniques for analysis and interpretation of data design:** After collection, data processing is done and data is kept ready for analysis. The study being exploratory in nature, a descriptive and statistical pattern of analysis was follower sample collection of percentage were used in carrying out the analysis and interpretation. Statistical techniques used are :
1. Coefficient of correlation 'r' is used to test first hypotheses.
 2. Descriptive analysis technique like mean values are used to test second hypothesis.

VIII. Indicator of the study

- A. To study the size and structure of human resource in Palakkad district from 2012-2019 in order to examine the human resource development the size and composition of population with socio economic background are taken as indicators.
- B. To examine the stock of human capital in Palakkad District from 2011 to 2019 as a whole the trend of literacy number of educational institution number of employment, number of Government hospitals, number of births etc are taken as indicator.
- C. To study the relationship between human and economics development in Palakkad district literary rate and agricultural development, literary rate and state per capita income, literacy rate and district per capita income, literacy rate and productivity are taken as indicators under study.

IX. Major Findings

- a. By examining the relationship between two variables i.e. literacy rate and state per capita income, it is found that there is co-relation of $r = 0.861$ between the two variables. A significant rise in per capital income from Rs. 18031 in 2000-2001 to Rs. 54410 in 2010-2011 was noticed with progress in literacy rate from 84.35 percent in 2001 to 89.31 percent in 2011 census. Therefore this is evident that as literacy rate increases the per capita Income during the period increased. Thus the first hypothesis of their work is accepted.
- b. More than 52% of the surveyed families belong to joint family.
- c. The standard of education has been found to be poor Muslim religion category. On the basis of survey it has been found than more than 10 percent population are illiterate among surveyed household whereas 4% in urban areas.
- d. The information regarding the status of occupation reveals that more than 39% of surveyed households are directly engaged in agricultural activities. Moreover 28 percent of surveyed are daily wage earners.
- e. The analysis of income reveals that more than 18 percent of surveyed household earn average annual income less than 10,000.
- f. To test the second hypothesis about human welfare measures as an average it is found to be 41.66 percent in rural areas of Shoranur and 76.87 percent in urban areas of Ottapalam and Pattambi Taluk. Therefore human welfare measures are necessary pre condition to improve work efficiency with 45 percent of the rural area respondents find that there is impact in improving work efficiency with 41.66 percent access to human welfare measures.

- g. While examining the problems of education system, about 35 percent in rural and 55 in urban respondents found lack of employment oriented education system.
- h. While examining human welfare measures extended to government employees with specific indicators such as working hours, housing, power, water supply, pension, PF and other retirement benefit it is found that human welfare measures for government employees are 51 percent in rural and urban area.
- i. The field survey gives finding on human capital and contribution to economic development. The survey highlights economic development through education and training (Table 1)

Sl.No.	Particulars	Rural(%)	Urban (%)
1	Education & employment modify the customs, food habits, dress and thinking in positive form	68%	80%
2	Education influences social change on individuals	70%	72.5%
3	Education transforms personality	70%	78%
4	Education enriches life and adds beauty to life	69%	87%
5	Adoption of new method of cultivation possible through education	50%	55%
	TOTAL	327	372.5

Therefore it is found that education is an influencing factor to increase the quality of life. Summing the respondents opinion on an average it is observed that human capital contributes, to 65.4 percent in rural area and 74.5 percent in urban area of selected population.

X. Difficulties of Human Capital formation and Human Welfare measured in Palakkad District

A. Problems related to education.

- a. Investment in education is poor, which is one of the major drawbacks for increasing the human capital formation in the district. Most of the families belong to low income group which limit their ability to educate their children.
- b. Early marriages of girls at the age of 17-18 limit higher education.
- c. Limited linguistic ability of the students force them to rely on guides and notes. It limits qualitative improvement in human capital.
- d. Lack of quality professional institutions to impart practical knowledge of subjects.

- e. Low educational quality due to lack of qualitative, skilled and trained teachers.
- f. The physical setup of the schools are not conducive and attractive for students to have their education as visualized at national level.
- g. Dropout rates of students
- h. Educational Institutions failing to maintain the standard of higher education.

B. Problems related to medical facilities.

- a. The functioning of Primary health centers is weak and the services provided is poor.
- b. People do not know the value of good health and hygiene.

XI. Suggestions for improvement of Human Capital

- a. Development of infrastructure facilities like building, modern equipment, teaching aids, teaching material for students to improve the quality of education.
- b. Learning opportunities should be given in accordance with their preference and needs and at times suitable to them, as being done in case of adult literacy programmes in evening hours.
- c. Counseling to parents about the functional value of education in sending their children to schools will reduce drop out rates.
- d. Teachers must be motivated by giving different perks
- e. Education with various specialization should be promoted to enrich the student with specific skills.
- f. Highly educated teachers that is those holding doctorates and masters degree (PhD and M.Phil) may be appreciated in teaching research & curriculum development instead of administration.
- g. Educational curriculum for all levels must be revised according to societal and economic needs and changes.
- h. Many educational promotional policies and reforms to be introduced to promote education.
- i. Adult education, education for handicapped and education for women are given due share in system of education.
- j. Teachers should use modern techniques of teaching students to impart active skill based learning
- k. Equipments needed for health centers , supply of adequate medicines in hospitals and sub centers in all districts should be provided by the government.

- l. To unfold the real educational scenario in the district levels and to bring to light the loopholes Government should continuously inspect educational progress in school and college level.
- m. To provide adequate migration facilities for families to adjust to changing job opportunities.

XII. Scope for future research:

Palakkad district is characterized by multi religious, multi-cultural and income inequality. The human capital may be studied among different religious groups like Hindu, Muslims, Christians and at different district levels.

XIII. Conclusion

Human capital is a valuable asset which tunes the economy to the way of development. It is the sum total of economic value of a workers experience and skills. The different means of increasing human capital is through education, training, intelligence, skills, health and other things employers value such as loyalty and punctuality. From the analysis it can be summarized that human capital is totally important for a nations success because it is an asset bought up by education and experience which tunes our nation to development. It was also observed that there is a positive relation between human capital formation and welfare of the society. Thus there a need for social security program for every section of society from grass root level i.e. school to college level by utilizing tools like value based education, awareness generation, health services, research and development in order to improve the human capital and human capital formation.

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