

# Importance of human capital in economic development

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The modern economists are of the view that natural resources i... e forest minerals, climate, water power etc. play in important role in the economic development of an country. A country which has abundant natural resources is in position to development more rapidly than a country which is deficient in such resources. They here how ere emphasize that the presence of abundant resources is not a sufficient condition of economic growth.

Physical factures they say are passive factors of economic growth. They are to be combined with human resources of a country who are active facture of economic development. Human resources of a country are the size of population rate of growth of population urban rural distribution of people and quality of population. The quality of population as measured byhealthstandards educational levels andtechnologyis vitally important in influencing a nation's cultural and economic progress.

A country which has developed the skills and knowledge of its people can exploit natural resources, build social economic and political organizations and can carry forward national development. The less developed countries of the world are now making investment in human persons for increasing their skills abilities ideals health on the job training programmers. These productive investments have a strong bearing upon increasing human capabilities which is called human capital. 2. What is humancapital? Its Role in Economic Development?

Human capital can be described as the skills training and health acquired through on the job training andeducationMichael Pakistan Park in defines it as: "The skill and knowledge of human beings. " It is also defined as: " The endowment of abilities to produce that exists in each human being. It can be <https://assignbuster.com/importance-of-human-capital-in-economicdevelopment/>

increased through formal education, on the job training and improved health and psychological well being. To be more precise. If the people of a country are well educated, well nourished, skilled and healthy, they are said to have more human capital. 3. Human capital formation: Human capital formation as described by Professor Harrison as "the process of acquiring and increasing the number of person who have the skills, education and experience which are critical for the economic and political development of a country. "

Human capital formation is the act of increasing the productive qualities of labor force by providing more education and by increasing skills, health and notarization level. According T. W. Schultz, there are five ways of developing human capital. i) Provision of health facilities which affect the life expectancy, strength, vigor and vitality of the people. (ii) Provision of on the job training which enhances the skill of labor force. (iii) Arranging education at the primary, secondary and higher levels. (iv) Study and extension programmer for the adults. (v) Provision of adequate migration facilities to families to adjust to changing job opportunities. 4. Importance of human capital: Human capital is the fundamental source of economic growth. It is a source of both increased productivity and technological advance.

In fact the major difference between the developed and developing countries is the rate of progress in human capital. The under developed countries need human capital to staff new and expanding government services to introduce new system of land use and new methods of agriculture, to develop new means ofcommunicationto carry forward industrialization and to build the education system. Prof. Galbraith is right in saying that "we now get larger

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part of economic growth from investment in men and improvements brought about by improved men. ' 5. Problems of human capital formation in LDC's: The main problems of human capital formation in less developed countries (LDC's) including Pakistan in brief are as under. (i) Faster increase in population: The population of almost all developing countries of world including Pakistan is increasing faster than rate of accumulation of human capital. As a result thereof, these countries are not making the satisfactory use sector expenditure on education is about 2. 5% of GDP for the last over five years. ii) Defective pattern of investment in education: In the developing countries of the world, the governments are giving priority to primary education for increasing literacy rate.

Secondary education which provides critical skills needed for economic developed remains neglected. Another problem related to investment in education is that in the public and private sectors there is a mushroom growth of universities without trying to improve their standard of education. There are also mass failures at primary, secondary & higher levels of education resulting in wastage of the scarce resources of the countries. iii) Morestresson the provision of building and equipments: Another major problem of investment in human capital in developing countries of the world is the politicians and administrator lay more stress on the construction of buildings and provision of equipments than on the provision of qualified staff. It has been observed that foreign qualified teachers and doctors are appointed in rural areas where there is little usefulness of them. (iv) Shortage of health and nutrition facilities: In the less developed countries of

the world there is shortage of trained nurses qualified doctors medical equipment, medicines etc.

The less availability of health facilities pose threat to the millions of the people living there. The people are faced with unsatisfactory sanitary conditions, polluted water, high fertility and death rates urban slums, illiteracy etc. All these deficiencies affect the health of the people reduce their life expectancy. (v) No facilities of on the job training: On the job training or in service training is very essential for improving or acquiring of new skills to the persons employed in various importance is given on the job training for the employees.

The result is that the efficiency and knowledge of the workers remains technicians etc. is therefore of utmost importance for the efficient use of human resources. (vi) Study programme for adults: Study programme for adults can also be introduced for improving literacy rate. Programme for adults was introduced in many under developed countries of the world including Pakistan for providing basic education. increasing skills farmers and small industrialists. The scheme has miserably failed as no interest was shown by the adults in getting such training. (vii) Half earted measures for promotion of employment: In most of the world the ratio of unemployed or under employed persons is very large. For increasing employment and reducing under employment proper investment in human capital is required which is visibly lacking in LDC's. The govt. of Pakistan has taken a number of steps for increasing employment opportunities in the country such as establishment of SME Bank for the promotion of self employment at the grass root level, encouraging domestic and foreign investment for increasing

employment opening of technical and vocational training centers etc. tc.  
(viii)

No manpower planning: Due to non availability of reliable data there is little manpower planning in less developed countries of the world including of course Pakistan. As a result thereof, there is no matching of demand and supply of different types of skills. The result is that large number of skilled and highly qualified persons remain underemployed. The frustration and discontentment among the unemployed or underemployed graduate and post graduates result in brain drain from the country. It is a huge loss to resources of developing countries. ix) Neglect of agriculture education: In LDC's where agriculture is the major sector of the economy. , very little attention is paid for educating the farmers to the use of modern agricultural practices. Unless the farmers are provided agricultural education and training on the fields, they will not be able to raise the agricultural the outlook of the farmers. 6. IMPORTANCE OF HUMAN CAPITAL ON SOCIAL AND ECONOMIC DEVELOPMENTP: In today's world production of goods and services on large scale are knowledge intensive.

Knowledge can be imported and increased by making investment in education and provision of better health services to man. which is called investment in Man' or Human Capital Formation. The modern economists are of the view that a dollar invested on education bring a greater increase in national income than a dollar spent on dams, roads, bridges or other tangible capital goods. In the words of Professor, Galbraith, we now get the larger part of our industrial growth not from more capital investment but from investment in men and improvement brought about by improved men. ' The

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importance of human capital on economic and social development is now disused in brief. (i) Human Capital as a creative and productive resource: In all the developing countries of the world physical capital is invested in the construction of roads, dams, light and heavy industries, schools, hospitals etc. For proper investment and operation of these projects at low cost, you need the services of technicians, engineers, administrators, etc. If priority is not given to human investment and adequate resources are not invested in a man, the physical capital cannot be properly used.

It will remain unutilized, underutilized, and misutilized. (ii) Rise in Marginal Efficiency of Capital: Human capital is now regarded as the most potent source of economic growth. It is a way of increasing output by increasing not the quantity of labour but its quality. Investment in human capital improves the skills of work force and helps in raising marginal efficiency of capital. (iii) Utilization of foreign loans: The advanced countries of the world are assisting the developing countries by providing them grants, loans, food supplies and technical expertise etc.

The better education, the provision of knowledge, skills, expertise helps in proper utilization of foreign loans. (iv) Utilization of surplus manpower: The underdeveloped countries in general have abundance unskilled and untrained manpower. There is widespread under-employment and disguised unemployment in the urban and rural areas. The investment in right type of education, training, skill, health and nutrition sound manpower planning, on the job training programs etc. can go a long way in absorbing the surplus labor force and developing job opportunities. v) Effect on Health and Nutrition: Human capital formation also calls for investment in health and

nutrition. It is a common knowledge that poverty, ill health, illiteracy and low productivity constitutes a vicious circle of poverty. If proper investment is made in health, nutrition drinking water etc. there will be improvement in the health of the people. There will be a desire of the people to work and increase production. The improvement in health status of the people thus helps in reducing population growth raising income and higher economic growth in the country. (vi) Social Change:

Investment in human capital makes a positive contribution towards improving and bringing fast changes in the economic and social life of the people of developing countries. Investment in human capital raises the general living standard of the people in less developed countries, it improves the quality of population i. e.. health and nutrition, literacy, skill, knowledge, desire to work. The surplus manpower is better mobilized and utilized for economic development. There is also a change in social climate of the people. The rate of social mobility increases. There is increased urbanization and industrialization.