



INDIAN SCHOOL AL WADI AL KABIR

Class: XII	Department: Commerce
Worksheet No: 1	Topic: Human Capital Formation

- Which of the following statements is true about human capital?
 - Human resource and human capital are related to each other
 - Human development and human capital are related to each other
 - Both a and b are correct
 - Both a and b are incorrectA: b
- Which of the following is a major source of human capital formation in India?
 - Expenditure on on-the-job training
 - Expenditure on education
 - Both a and b are correct
 - Both a and b are incorrectA: c
- Which of the following is not a source of transformation of human capital?
 - Expenditure for building factories and machines
 - Expenditure for migrating elsewhere looking for better employment opportunities
 - Expenditure for training on the job to increase productivity
 - All of the aboveA: a
- Which of the following is not a merit of human capital formation?
 - Improves technical knowledge
 - Enlarges the size of business
 - Increases cost of production
 - Changes social outlooksA: (C)
- Which of the following is not an indicator of education level?
 - Years of schooling
 - Life expectancy
 - Teacher-pupil ratio
 - Enrollment rateA: b

6. Which of the following is not the role of on-the-job training?
(A) Eradicates inequality
(B) Encourages innovation
(C) Promotes modern methods
(D) Enhances productivity
A: (D)
7. Which 5-year plan recognised the importance of Human Capital?
a..8th Plan
b. 5th Plan
c. 4th Plan
d. **7th Plan**
8. Who prepares the Human Development index?
a. WB
b. UNDP
c. IMF
d. RBI
9. Which bank said that India will emerge as one among four major growth centres in the world by 2020?
a. Asian Development Bank
b. Reserve Bank
c. World bank
d. **Deutsche Bank**
10. As per census 2011, the literacy rate in rural India is:
a. 74%
b. 69%
c. 85%
d. 60%

1. What is Brain-Drain?

It refers to the migration of the skilled manpower to the developed countries of the world.

2. What is on the job training?

It is the form of training taking place in a normal working situation.

3. Start-ups and skill India programmes are complementary to each other. True/ False? Justify.

True because one programme promotes the other.

- Start Ups (New Business ventures) helps utilize the idle entrepreneurial abilities of the people. It thus promotes skill formation.
- Skill formation through education and training helps establishing the start-ups.

4. Skill formation facilitates conversion of economic growth into economic development.

True, because skill formation improves rate of participation or employment in the process of growth. Higher the rate of participation, faster is the conversion of growth into development.

5. Human capital formation increases the efficiency of physical capital. How?

This happens in 2 ways:

- Human capital formation leads to higher level of skills and expertise. Accordingly, labour force is better equipped to handle plant and machinery (physical capital). This raises the efficiency of physical capital by way of higher output per unit of input (physical capital).
- Human capital formation leads to innovations, implying new and more effective ways of doing things than before. Accordingly, efficiency/productivity increases.

6. Why do we observe regional differences in educational attainment in India?

Regional differences in educational attainment in India is due to:

1. inequality of income
2. expenditure by the government in education facilities.

7. What factors contribute to human capital formation?

Sources/Factors of Human Capital Formation:

1. Expenditure on Education
2. Training
3. Expenditure on Health
4. Migration
5. Expenditure on Information.

8. List the benefits of education:

- (i) It gives a better social status and pride.
- (ii) It enables wise decision-making.
- (iii) It enhances social outlook and develops understanding to accept the changes taking place in society.
- (iv) It stimulates innovations and facilitates adaptation of new technologies.

9. What are the different forms of health expenditure?

- a. Preventive medicine – medical practices which are designed to avoid or avert diseases
- b. Curative medicine – health care practices that are used to treat patients with the intent of curing them, not just reducing their pain
- c. Social medicine – medical practices concerned with the role of social factors in the occurrence, prevention and treatment of disease
- d. Provision of clean drinking water
- e. Good sanitation

10. Briefly describe the two reports that point out the fact that further human capital formation in India will move its economy to a higher growth trajectory.

Two independent reports on the Indian economy have identified that India would grow faster due to its strength in human capital formation.

- (i) According to a report – ‘Global Growth Centres’- published by Deutsche Bank, India will emerge as one among four major growth centres in the world by the year 2020. The report supports the view that increase in human capital is crucial to achieving increases in GDP and hence, it states that between 2005 and 2020 we expect a 40 per cent rise in the average years of education in India.
- (ii) World Bank’s report, ‘India and the Knowledge Economy Leveraging Strengths and Opportunities’, states that India should make a transition to the knowledge economy. According to the report, Indian economy has all the key ingredients required for making this transition such as, a critical mass of skilled workers, a well-functioning democracy and a diversified science and technology infrastructure. Moreover, it is expected that the per capita income of India will increase from approximately US \$ 1000 in 2002 to US \$ 3000 in 2020 if it uses its knowledge as much as Ireland does