

# Challenges of Human Capital Formation in Bihar

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## Abstract

Human capital is one of the three primary components of intellectual capital. Human capital is the value that the employees of a business provide through the application of skills, know-how and expertise. It is an organization's combined human capability for solving business problems. Human capital is inherent in people and cannot be owned by an organization. Therefore, human capital leaves an organization when people leave. Human capital also encompasses how effectively an organization uses its people resources as measured by creativity and innovation. A company's reputation as an employer affects the human capital it draws. The concept of human capital can be infinitely elastic, including immeasurable variables such as personal character or connections with insiders. This theory has had a significant share of study in the field proving that wages can be higher for employees on aspects other than human capital.

**Keyword:-** Human Capital, Employees, Skill, Business, Growth.

## Introduction

Human capital is distinctly different from the tangible monetary capital due to the extraordinary characteristic of human capital to grow cumulatively over a long period of time. The growth of tangible monetary capital is not always linear due to the shocks of business cycles. During the period of prosperity, monetary capital grows at relatively higher rate while during the period of recession and depression; there is deceleration of monetary capital. On the other hand, human capital has uniformly rising rate of growth over a long period of time because the foundation of this human capital is laid down by the educational and skill development. The current generation is qualitatively developed by the effective inputs of education and skill development. The future generation is more benefited by the advanced research in the field of education and skill development, undertaken by the current generation. Therefore,

the educational and skill development create more productive impacts upon the future generation and the future generation becomes superior to the current generation. In other words, the productive capacity of future generation increases more than that of current generation. Therefore, rate of human capital formation in the future generation happens to be more than the rate of human capital formation in the current generation. This is the cumulative growth of human capital formation generated by superior quality of manpower in the succeeding generation as compared to the preceding generation.

In India, rate of human capital formation has consistently increased after Independence due to qualitative improvement in each generation. In the second decade of the 21st century, the third generation of India's population is active in the workforce of India. This third generation is qualitatively the most superior human resource in India. It has developed the service sector of India with the export of financial services, software services, tourism services and improved the invisible balance of India's balance of payments. The rapid growth of the Indian economy in response to improvement in the service sector is evidence of cumulative growth of human capital in India. In the year 2019 India had ranked 158 out of 195 countries.

## Human Capital Formation in Bihar

The general state of human capital formation is progressive but backward in Bihar. Within Bihar geographically, rural areas and the areas in its south - west, south - east, north - west, central belts are more backward than the rest of the state. These are also regions which are forested, have a large ST population, have an undulating terrain and agriculture is not as advanced as in other areas. Socially, men do better than women, and members of the SCs are comparatively worse-off than others. The other vulnerable group is the STs.

The backward regions, in today's context, seem to have only public funds and public institutions as their only source for investments and for delivery of essential services. These zones and these people need direct investments in their towns and villages and in their homes to help them break the shackles of backwardness imposed by poor education, poor health, precarious livelihood, and poor infrastructure of every kind. The challenges of ensuring a level of education where every child studies up to five if not seven years in school, there is regular

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attendance, and standards of achievements reach a high level are still very steep. Similarly in health, reduction in infant mortality, in the morbidity burden, in reducing water borne diseases, improving sanitation and ensuring good quality and affordable health care for infants, for mothers, and the infirm and ill are still not at satisfactory levels. The last decade has seen many extraordinary changes, in education. Education and health need good teachers, good doctors, and good school buildings and good health centers. The state of Bihar appears to be taking on these opportunities for most of the infrastructure, but there is still a long way to go in some of the crucial human development sectors such as incomes, growth, basic education, and basic health services.

The treatment of human beings as a capital component is an integral input in the economic development in Bihar. Human capital formation is enriched by investment in formal education, improved health, on-the-job training, manpower rehabilitation, and improved mobility. Factors unrelated to investment expenditures also affect the formation of human capital. In this sense human capital may represent a most significant explanation of our inability to identify the source of economic growth and development. Population becomes human capital when investment is made in the form of education, training and medical care. In fact, human capital is the stock of skill and productive knowledge embodied in them. Investment in human capital through education, training, medical care yields a return just like investment in physical capital. This can be seen directly in the form of higher incomes earned because of higher productivity of the more educated or the better trained person, as well as the higher productivity of healthier people.

Not only do the more educated and the healthier people gain through higher income, the society also gains indirectly because the advantages of a more educated or a healthier population spreads to those who themselves were not directly educated or given health care. In fact, human capital is in one-way superior to other resources like land and physical capital. Human resource can make use of land and capital. Land and capital cannot become useful on its own. For decades a large population has been considered a liability rather than an asset in India. But a large population need not be a liability. It can be turned into a productive asset by investment in human capital.

Investment in human resource via education and medical care can give high rate of returns in future. The investment on people is the same as investment in land and capital. Countries like Japan, Norway, and Canada have invested in human Capital. These are developed and rich countries. They import the natural resources needed in their country. How did they become rich and developed? They have invested on people especially in the fields of education and health. These people have made efficient use of other resource like land and capital. Efficiency and the technology evolved by people made these countries developed. The quality of population depends upon the literacy rate, health of person indicated by life expectancy and skill formation acquired by the people of the country. It ultimately decides the growth rate of the country. Illiterate and unhealthy population is a liability for the economy. The literate and healthy population is an asset.

The present status of human capital formation in other state of india is progressive but backward in Bihar. Within Bihar geographically, rural areas and the areas in its south - west, south - east, north - west, central belts are more backward than the rest of the states. Socially, men do better than women, and members of the SCs are comparatively worse- off than others. The other vulnerable group is the STs.

The backward regions, in today's context, seem to have only public funds and public institutions as their only source for investments and for delivery of essential services. These zones and these people need direct investments in their towns and villages and in their homes to help them break the shackles of backwardness imposed by poor education, poor health, precarious livelihood, and poor infrastructure of every kind. The challenges of ensuring a level of education where every child studies up to five if not seven years in school, there is regular attendance, and standards of achievements reach a high level are still very steep. Similarly in health, reduction in infant mortality, in the morbidity burden, in reducing water borne diseases, improving sanitation and ensuring good quality and affordable health care for infants, for mothers, and the infirm and ill are still not at satisfactory levels. The last decade has seen many extraordinary changes, in education. Education and health need good teachers, good doctors, and good school buildings and good health centers. The state of Bihar appears to be taking on

these opportunities for most of the infrastructure, but there is still a long way to go in some of the crucial human development sectors such as incomes, growth, basic education, and basic health services.

The most important factor in human capital formation is the development of top skills. As this skill formation is a time consuming process, thus the entire process of human capital formation and development demands a long-term policy. The need of the hour is to develop a long-standing policy with a long term vision to develop human capital formation in the state and make use of it for overcoming the challenges in new age global economy.

In other words, innovation or the process of change from static or traditional society requires very large doses of strategic human capital. In order to remove economic backwardness of the underdeveloped countries as well as to encourage the capacities and motivations to progress, it is quite necessary to increase the level of knowledge and skills of the people. Thus in the absence of proper development of the quality of the human factor, the underdeveloped countries will not be able to attain the desired rate of progress.

Many economists in recent decades have pointed out that the third world countries have remained underdeveloped on account of underdevelopment of human resources. Human development is the end while economic growth is only a means to this end. The ultimate purpose of the entire exercise of development is to treat men, women and children - present and future generations-as ends, to improve the human condition, to enlarge people's choices. In terms of human development, India with a Human development index value of 0.619 stands 128th Place out of the 177 countries for which Human development report 2008 calculated the index. The reform process will not be able to achieve the objective of human development, because the private sector is merely concerned with profit motive. Therefore, large - scale investments in human resources are needed under public sector if physical capital available is to be exploited in a more efficient way. Human development index of India has improved from 0.515 in 1990 to 0.619 in 2017, but India still has miles to go before she can enter the group of high human development countries. The process of development has to accelerate the pace of human development.

### Conclusion

Challenges and opportunities address few substantial areas in Human capital formation and leveraging it for economic growth of the country. Most of the underdeveloped countries are suffering from low rate of economic growth which is again partially resulted from lack of investment in human capital. These underdeveloped countries are facing mainly two basic problems. They lack critical skills very much needed for the industrial sector and again have a surplus labor force. Thus human capital formation wants to solve these problems by creating necessary skills in man as a productive resource and also providing him gainful employment. Human capital is, therefore, required "to staff new and expanding government services, to introduce new system of land use and new methods of agriculture, to develop new means of communication, to carry forward industrialization and, to build the education system.

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