



## HCT AND EDUCATION ARE WORKING LIKE CONSORS??

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### ABSTRACT

A country's physical and human capital affects its economic well-being and ability to run its government. While economic studies have usually looked at physical capital, the factors affecting how people improve their skills and talents are becoming increasingly important in the social and behavioral sciences. Human capital is the investment people make in themselves that makes them more productive in the workplace. According to human capital theory, Education, and development programs are most likely to work when they are based on good ideas.



From a general perspective, if you want to get an education, you have to pay for it, which means it's an economic good. A lot of economists see education as both a consumer good and a capital good. This is because it gives people value (happiness) and helps build the human resources that are needed for economic and social change. Human capital is the idea that getting better at things, like getting educated, is like investing in them. Improving people's skills is a big part of making things. The general standard of living in a country goes up when people get more educated. The greater faith in education as a cause of change in many emerging countries has led to heavy spending on it. In many developing countries, the emphasis on higher education has been boosted by the idea that getting such an education will pay off financially. There is an opinion that growing educational options and access promotes economic growth. In this study, researchers explain the concept of human capital theory and how education and its policies boost it.

**KEYWORDS :** economics, human capital theory, education, and educational policy.

### INTRODUCTION

In the world of the labor market, people bring different amounts of knowledge, and skills, as well as their expectations, to the workplace. The human capital theory rests on the idea that formal education is highly useful and important to improve the economic ability of a community. In short, human capital thinkers say that an educated population is a useful population. The human capital theory stresses how education improves the output and efficiency of workers by increasing the cognitive stock of economically useful human capability, which is a product of natural skills and investment in human beings. The provision of formal education is seen as an investment in human capital, which proponents of the theory have considered equally or even more worthwhile than that of physical capital (**Woodhall, 1997**). Human Capital Theory (HCT) finds that investment in human capital will lead to greater economic results; however, the truth of the theory is sometimes hard to prove and

contradictory. In the past, economic strength was heavily based on real physical assets such as land, companies, and tools. Labor was a necessary component, but growth in the value of the business came from investment in capital tools. Modern economists seem to concur that education and health care are the keys to improving human capital and ultimately increasing the economic outputs of the nation or society (**Becker 1993**). In the contemporary global economy, expenditure on hard physical goods may not be as important as spending on human capital. Thomas Friedman, in his highly successful book, *The World is Flat (2007)*, wrote widely about the value of education in the new global knowledge economy. His famous book has introduced millions of people to human capital theory. The term itself is not introduced, but proof as to why people and education, level of knowledge, and skill (human capital) are important to a nation's economic success is a regular theme in the book.

### VARIOUS IDEAS AND HCT

**McConnell et al. (2009)** said, "A more educated, better-trained person is capable of supplying a larger amount of useful productive effort than one with less education and training." The value of a human capital theory is generally accepted to increase organizational performance, so an organization counts on employees' skills, knowledge, and abilities as a key idea of value creation. In the eighteenth century, **Adam Smith (1773)** started an improvement in human skills that is important to production, and then a word for human capital was introduced by **Theodore W. Schultz (1961)**, published in the *American Economic Review*, called investment in human capital. Human capital, widely used after **Gary Backer** won the novel prizes, initiated "**human capital theory**," which stated that a different level of education and training contributes to a different level of wages and salaries; the more knowledge, skill, and ability, the more likely you are to get a better job (**Blair, 2012**).

According to **Gary Backer (1964)**, human capital is a real means of creation. Organizations invest in people as human capital via education, instruction, and healthcare. After that, **Thomas Davenport (1999)** said that "*the component of human capital consisted of abilities, knowledge, skill, personal talent, behavior, and effort when those three components plus time*" he extended that-

- 1) The knowledge included IQ, intelligence, and specific and general knowledge to work.
- 2) Skill is knowledge used in working, including the actual body and movement of the job.
- 3) Talent is a personal trait that is innate and can be improved by growth.
- 4) Behavior is an expression of visible rules, ethics, and personal opinion.
- 5) Effort is when people try to use their innate or personal resources, including their skill, experience, knowledge, and ability, to work to be great, and finally, there is time.

According to **Becker (1964)**, human capital can be collected in different forms of education, training, movement, and health. Through such forms, workers gain knowledge, skills, and abilities in different ways. Firms invest in human capital because they view people as assets and hope that what they have invested will be returned and provide good value in the future. In other words, an individual invests in their learning or training and expects that the information and skills gained will improve their job development.

**Ulrich (1998)** claimed that traditionally, human resources, labor, and business functions have been viewed as costs to be reduced. However, nowadays, human resources are viewed as human wealth, which leads to a source of value.

### HCT AND EDUCATION INSTITUTE

It is currently demonstrated that human capital theory and educational institutions work beautifully for the growth of people and countries, especially emerging nations. However, there are issues involved, especially about variances in strategies and spending in education. The human capital theory underlines the significance of policymakers giving significant resources to the growth of educational systems. While some states may be hesitant to spend on education, the good results from this investment will greatly outweigh the costs. Many of the emerging nations have thus understood that the main method for building human knowledge is the education system. Thus, they spend huge

sums of money on education, not only as an attempt to impart information and skills to people but also to teach values, ideas, attitudes, and goals that may be in the country's best growth interest.

Based on the importance of education, the idea of human capital has been brought to the forefront of many discussions in the area of economic growth and development. Studies have shown that changes in schooling/ education increase output and contribute to the growth of technology, thus improving human capital. More than anything else, it has been the amazing growth in East Asia that has given education and human capital their current popularity in the field of economic growth and development. Countries such as Hong Kong, Korea, Singapore, and Taiwan have achieved unprecedented rates of economic growth while making large investments in education. the **World Bank (1993)** found that improvement in education is a very important explanatory variable for East Asian economic growth. There are several ways to show how the huge spread of education boosted economic growth and development. The first is to view education as an investment in human capital. A different view of the role of education in economic progress is that education has good effects; it teaches part of the community, and the whole of it benefits.

Many of the classical economists argued strongly for the government's active support of education on the grounds of the good benefits that society would gain from a more educated workforce and people. **Smith (1976)** represents such advanced current thought when he writes that by teaching its people, a society gets no inconsiderable benefit from their guidance. The more they are taught, the less subject they are to the delusions of zeal and belief, which, among ignorant people, frequently cause the most dreadful disorders. Instructed and educated people are always more decent and organized than non-educated ones. Smith views the effects of education as important to the proper running not only of the business but of a free community.

To improve human growth in general society, it is important to apply the idea of human capital to school systems. By such means, the output is improved and maintained based on a larger and more diverse workforce, the why nowadays most developed and developing countries focus on output-based learning. **Babalola (2003)** states that the addition of education to economic growth and development happens through its ability to improve the efficiency of a current workforce in various ways. Therefore, the economic evaluation of educational spending projects should take into account certain factors,

1. Direct economic returns to investment, in terms of the balance between the opportunity costs of resources and the expected future benefits;
2. Indirect economic returns, in terms of external benefits affecting other members of society;
3. The private demand for education and other factors determining individual demand for education
4. The geographical and social distribution of educational opportunities;
5. The distribution of financial benefits and burdens of education.

Education serves an essential part in the economy of a country; thus, educational costs are found to represent an aspect of investment. This augments individuals' human capital and leads to greater output for society and improved wages for the individual worker. It improves their chances of working in the labor market, allows them to reap financial and non-pecuniary gains, and gives them opportunities for job freedom. Education is a source of economic growth and development only if it is anti-traditional to the extent that it liberates, excites, and informs the individual and teaches him how and why to make demands.

## CONCLUSION

Developed and newly independent nations are faced with most of the problems that could limit the ability of an increase in education to spur growth and development. Some of these issues are underemployment, low absorptive ability, lack of professionals, regional imbalances, and brain drain. The continuation of many problems despite the different policy developments and reactions points to the need for a more focused, sensitive, functional, and quality educational system. To add greatly to economic growth and development, education must be of good quality and also meet the skill-demand needs of the economy.

It is not a great success for any area of the economy to survive for years only to make a small addition to economic growth, which is not commensurate with its life span and investment. There is a need for more resolve by the officials not to interfere with choices such as education or teachers' duties. Parents should not wish to meet their life hopes in their children by choosing jobs for them or by suggesting topics that they should study. They should also not encourage or help their children buy tickets. The government, in its job policies, should put more stress on skill and ability than on paper titles and ill-gotten certificates.

The objective of this research article was to explain human capital theory and show the alignment of education and human capital. This paper gives a link to various ideas about human capital theory and its relation to education. Implications, present measuring, and succession and failure adaptation of human capital theory are also explored. Organizations and HRD workers would benefit from utilizing human resources as the most priceless intangible asset in the group by investing in human capital in the right ways to live in a complicated world. Applying human capital is also needed for further review and study.

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