**Ch- 3**

**Liberalisation, Privatisation and Globalisation**

1. ……………………… Was the Indian Finance Minister in 1991, acknowledged for his capabilities to steer away the economic crisis looming large on the erstwhile Indian Economy.

(a) Dr. Subramanian Swamy

(b) Pranab Mukherjee

(c) Dr. Manmohan Singh

(d) Dr. Urjit Patel

Ans. (c) Dr. Manmohan Singh

2. Assertion (A): Every year government fixes a target for disinvestment of Public Sector Enterprises (PSE).

Reason (R): Disinvestment is an excellent tool for discarding the loss incurring Public Sector Enterprises (PSE).

(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

(b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).

(c) Assertion (A) is true but Reason (R) is false.

(d) Assertion (A) is false but Reason (R) is true.

Ans. (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

3. State any one outcome of implementation of Economic Reforms in India in 1991.

Ans.

Ans. Outcome of New Economic Reforms India are: (Any 1)

(a) Increase in GDP

(b) Increase in per capita GDP

(c) Economic and social infrastructure development

4. Name any one Navratan company.

Ans. MTNL, Hindustan Aeronautics Limited (Any 1)

5. ………………....and ……………………….. currency notes of old Mahatma Gandhi series were banned as legal tender money on 8th November, 2016. (Choose the correct alternative)

(a) Rs. 50 and Rs. 100

(b) Rs. 500 and Rs. 1000

 (c) Rs. 500 and Rs. 2000

(d) Rs. 500 and Rs. 200

Ans. Option (b)

6. ………………………. was the predecessor organisation to World Trade Organisation (Choose the correct alternative).

(a) International Bank for Reconstruction and Development (IBRD)

(b) International Monetary Fund (IMF)

(c) Reserve Bank of India (RBI).

(d) General Agreement on Tariffs and Trade (GATT)

Ans. Option (d)

7. Name any one Maharatna company.

Ans. Indian Oil Corporation, Steel Authority of India limited (Any 1)

8. India is not a member of which of the following regional/global economic grouping? (Choose the correct alternative)

(a) European Union

(b) BRICS

 (c) G-20

(d) SAARC

Ans. Option (A)

9. World Trade Organisation (WTO) was established in 1995, as a successor organisation to …………………………..

Ans. General Agreement on Tariffs and Trade (GATT)

10. Name any two taxes which were subsumed in Goods and Services Tax (GST).

Ans. Service Tax, Sales tax, excise duty etc. (Any 2)

11. State, whether the following statement is true or false

"GATT was established in 1923 with 48 member countries."

Ans. False, GATT Was established in 1948 with 23 countries

12. State weather the following statement is true or false:

“The latest demonetization of currency was undertaken by the Government of India on November 8, 2016'.

Ans. True, the government of India on 8th November 2016 declared currency notes of denominations 500 and 1000 as no longer as legal tender.

13. Define "Quota'.

Ans. These are the quantitative restrictions which are imposed on the import and export of goods and services.

14. Out of Liberalisation, Privatisation and Globalisation, which term matches the best from the following statements:

(i) It involves deregulation and reduction of government controls and greater autonomy of private investment.

(ii) It means integration of economy of the country with the world economy.

(iii) It implies greater role of private sector in the economic activities of the country.

(iv) It aims to remove entry and growth restrictions on the Private Sector.

(v) It involves selling off part of the equity of public sector undertakings to the public.

(vi) It aims to create a borderless world.

Ans. (i) Liberalisation

(ii) Globalisation

(iii) Privatisation

(iv) Liberalisation

(v) Privatisation

(vi) Globalisation

15. Match the items given under 'A' with the suitable statements under 'B':

|  |  |
| --- | --- |
|  (A) |  (B) |
| 1. Reforms in Indirect Taxes
2. Devaluation of Rupee
3. Decrease in role of Public Sector
4. Removal of Export Duties
5. Origin of Private Banks
 | (a) Industrial Sector Reforms(b) Financial Sector Reforms(c) Tax Reforms(d) Foreign Exchange Reforms (e) Trade and Investment Policy Reforms |

Ans. (i) c; (ii) d; (iii) a; (iv) e: (v) b.)

16. "Process of Globalisation has produced only positive results for India and other countries." Comment.

Ans. The given statement is incorrect. Process of globalisation has produced positive as well as negative results. Globalisation has been criticized because:

* Benefits of globalisation accrue more to developed countries as they are able to expand their markets in other countries.
* Globalisation compromises the welfare and identity of people belonging to poor countries.
* Market-driven globalisation increases the economic disparities among nations and people.

17. Economic Reforms were widely criticized because it neglected agricultural sector. Do you agree?

Ans. Yes, I agree with the given statement. New Economic Policy neglected the agricultural sector as compared to industry trade and services sector.

(i) Public investment in agriculture sector was reduced in the reform period.

(ii) Removal of fertilizer subsidy increased the cost of production, which adversely affected the small and marginal farmers.

(iii) After commencement of WTO, a number of policy changes were made: (a) Reduction in import duties on agricultural products; (b) Removal of minimum support price and (c) Lifting of quantitative restrictions on agricultural products. All these policies adversely affected the Indian farmers as they now have to face increased international competition

(iv) Due to Export-oriented policy strategies in agriculture, the production shifted from food grains to cash crops for the export market. It led to rise in the prices of food grains.

18. The opening up of the Indian Economy has led to a rapid increase in Foreign Direct Investments and Foreign Exchange Reserves of the country. Defend or refute the given statement.

Ans. The given statement is true to its character. The foreign investments, both Foreign Direct Investment (FDI) and Foreign Institutional Investment (FI), have increased from about US $100 million in 1990-91 to US $ 73.5 billion in 2014-15. This has changed the status of India from a ‘begging bowl’ in 1990's to a self-dependent economy in the present ages Due to the opening up of the Indian Economy, she has become one of the largest foreign exchange reserve holders in the world. India been able to register an increase in the foreign exchange reserves from about US $6 billion in 1990-91 to about US $ 321 billion in 2014-15.

19. Why were reforms introduced in India?

Ans. The various reasons for introduction of reforms in India are:

1. Poor Performance of Public Sector: In the last 4 decades, the overall performance of public sector was very poor as huge losses were incurred by a good number of public sector enterprises.

2. Deficit in Balance of Payments (BOP): Even after imposing heavy tariffs and fixing quotas, there was a sharp rise in imports. On the other hand, there was slow growth of exports due to low quality and high prices of Indian goods in the international market. It led to deficit in BOP

3. Inflationary Pressures: There was a consistent rise in the general price level in the economy due to increase in money supply and shortage of essential goods.

4. Fall in foreign exchange reserves: In 1991, foreign exchange reserves fell to the lowest level. Foreign exchange reserves declined to a level that was not adequate: (i) To finance imparts for more than two weeks; and (ii) To pay the interest that needs to be paid to international lenders.

5. Huge burden of debts: The expenditure of the government was much higher than revenue. As a result, government had to borrow money from banks, public and from international financial institutions.

6. Inefficient Management. The government was not able to generate sufficient revenue and the expenditure began to exceed its revenue by large margins.

20. Why is it necessary to became a member of WTO?

Ans. It is necessary to become a member of WTO (World Trade Organisation) for the following reasons:

(i) WTO grants each member Most Favored Nation' status, which means that WTO members must treat each other the same. They give no preferential trade benefit to any one member without giving it to all.

(ii) WTO provides its member countries with larger scope to produce at large scale, which gives ample scope to utilise world resources optimally and provides greater market accessibility.

(iii) WTO members have lower trade barriers with each other. Lower trade barriers allow members larger markets for their goods, which lead to greater sales, more jobs and faster economic growth.

(iv) The developing countries being members of WTO, can raise their voice to safeguards their common interests.

21. Why did RBI have to change its role from controller to facilitator of financial sector in India?

Ans. Prior to liberalisation, RBI used to regulate and control the financial institutions like commercial banks, investment banks, stock exchange operations and foreign exchange market. After the economic liberalisation and financial sector reforms, RBI shifted its role from a controller to facilitator of the financial sector. This means that greater autonomy was granted to the financial sector in taking decisions on various matters without consulting the RBI. The main objective behind the financial reforms was to encourage private sector participation, increase competition and allowing market forces to operate in the financial sector. Banks were given freedom to set up new branches (after fulfillment of certain conditions) without the approval of the RBI

22. How was RBI controlling the commercial banks?

Ans. Prior to 1991, commercial banks were subject to too much control by the RBI through various norms and regulations. The banks had to take prior permission from RBI on all the financial decisions. However, after liberalisation in 1991, there was a substantial shift in role of the RBI from regulator to facilitator of financial sector.

23. What do you understand by devaluation of rupee?

Ans. Devaluation refers to reduction in the value of domestic currency by the govemment.

24. Distinguish between the following:

(i) Bilateral and Multi-lateral trade

(ii) Tariff and Non-tariff barriers.

Ans. (i) The trade between more than two countries is known as multi-lateral trade, whereas, bilateral trade is the trade between two countries.

(ii) The barriers which are imposed on imports to make them relatively costly and to protect the domestic production are known as tariff barriers. On the other hand, non-tariff barriers are imposed on the amount of imports and exports.

25. Why are tariffs imposed?

Ans. Tariffs are imposed on imports to make them relatively costly and to protect the domestic production.

26. What is the meaning of quantitative restrictions?

Ans. Quantitative restrictions are non-tariff barriers imposed on the amount of imports and exports.

27. Those public sector undertakings which are making profits should be privatised. Do you agree with this view? Why?

Ans. No, I do not agree with this view. Profit-making Public-Sector Undertakings (PSUs) are the revenue generator and government needs their profits to make them more competitive and efficient. However, if a PSU is an inefficient and loss making, then it may be privatised, provided, such PSU is not meant to serve welfare of general public. Privatisation of such important PSUS will lead to loss of welfare of poor people. Hence, only less important PSUs should be privatized and core PSUs should continue to be owned by the public sector.

28. Do you think outsourcing is good for India? Why are developed countries opposing it?

Ans. Yes, outsourcing is good for India. The following points justify this:

1. Employment: It provides employment to a large number of unemployed Indians.
2. Exchange of technical know-how. Outsourcing enables the exchange of ideas and technical know how of sophisticated and advanced technology.
3. International worthiness. Outsourcing also enhances India's international worthiness credibility.
4. Better standard of living and eradication of poverty. By creating more and higher paying jobs, outsourcing improves the standard and quality of living of the people.

However, developed countries oppose outsourcing to India because of following reasons:

1. Outsourcing leads to outflow of funds from the developed countries to India, which reduces the income disparities between the two countries.
2. Outsourcing reduces the employment generation and creates job insecurity in the developed countries.

29. India has certain advantages which makes it a favourite outsourcing destination. What are these advantages?

Ans. India has become a favourable destination of outsourcing for most of the MNC's because of following reasons:

(i) Easy Availability of Cheap Labour: The wage rates in India are comparatively lower than that of in the developed countries. As a result, MNCs outsource their business in India.

(ii) Availability of skilled manpower: India has vast skilled manpower, which enhances the faith of MNCs.

(iii) Favourable Government Policies: MNCs gets various types of lucrative offers from the Indian government like tax holidays, low tax rates, etc.

(iv) International worthiness: India has a fair international worthiness and credibility.

30. Do you think the navaratna policy of the government helps in improving the performance of public sector undertakings in India? How?

Ans. Yes, the "Navaratna Policy" of the government has helped in improving the performance of public sector undertakings in India. In order to infuse professionalism and enable public sector undertakings (PSUs) to compete more effectively in the liberalised global environment, government chose nine PSUs (BHEL, BPCL, SAIL, etc.) and declared them as 'Navaratnas".

* These PSUs were given greater managerial and operational autonomy in taking various decisions, to run the company efficiently and to increase their profits.
* The granting of navaratna status resulted in better performance of these companies.
* Encouraged by their better performance, government decided to retain the navaratnas in the public sector and enable them to expand themselves in the global markets and raise resources by themselves from financial markets.

So, it can be concluded that the navaratna policy of the government helped in improving the performance of public sector undertakings in India.

31. What are the major factors responsible for the high growth of the service sector? Ans. The services sector has shown a high growth rate due to following reasons:

(i) Economic Reforms: Liberalisation and various economic reforms initiated in 1991 reduced the various restrictions on the movement of international finance. This led to huge inflow of foreign capital, foreign direct investments and outsourcing to India. It led to the growth of the service sector.

(ii) Better performance of some service sectors: There was rapid growth in select areas of the service sector, such as telecommunication, information technology, finance, entertainment, travel and hospitality services, real estate and trade.

(iii) Better technology and growth of IT: The advancements and innovations in the IT sector contributed to the growth of the service sector in India.

(iv) Cheap and skilled manpower: Due to the availability of cheap and skilled manpower, India has become favourite destination for outsourcing by the developed economies. It has led to the growth of service sector.

32. Agriculture sector appears to be adversely affected by the reform process. Why?

Ans. Agriculture sector was adversely affected by the reform process in the following manner:

(i) Reduction of public investment: Public investment in agriculture sector, especially in infrastructure, which includes irrigation, power, roads, market linkages and research and extension (which played a crucial role in the Green Revolution), has been reduced in the reform period.

(ii) Removal of subsidy: Removal of fertilizer subsidy increased the cost of production, which adversely affected the small and marginal farmers.

(iii) Liberalisation and reduction in import duties: After the commencement of WTO, a number of policy changes were made: (a) Reduction in import duties on agricultural products; (b) Removal of minimum support price; and (c) Lifting of quantitative restrictions on agricultural products. All these policies adversely affected the Indian farmers as they now have to face increased international competition (iv) Shift towards cash crops: Due to export-oriented policy strategies in agriculture, the production shifted from food grains to cash crops for the export market. It led to rise in the prices of food grains.

33. Why has the industrial sector performed poorly in the reform period?

Ans. The industrial sector performed poorly in the reform period because of following reasons:

(i) Cheaper Imported Goods: Due to globalisation, there was a greater flow of goods and capital from developed countries. As a result, domestic industries were exposed to imported goods. Cheaper imports replaced the demand for domestic goods and domestic manufacturers started facing competition from imports.

(ii) Lack of infrastructure facilities: The infrastructure facilities, including power supply, have remained inadequate due to lack of investment.

(iii) Non-Tariff Barriers by Developed countries: All quota restrictions on exports of textiles and clothing have been removed from India. But some developed countries, like USA have not removed their quota restrictions on import of textiles from India.

34. Discuss economic reforms in India in the light of social justice and welfare.

Ans. The economic reforms have been criticized in the light of social justice and welfare due to following reasons:

(i) Growing Unemployment: Though the GDP growth rate has increased in the reform period, but such growth failed to generate sufficient employment opportunities in the country.

(ii) Removal of subsidy: Removal of fertilizer subsidy increased the cost of production, which adversely affected the small and marginal farmers.

(iii) Rise in the prices of Food grains: Due to export-oriented policy strategies in agriculture, the production shifted from food grains to cash crops for the export market. It led to rise in the prices of food grains.

(iv) Cheaper Imported Goods: Due to globalisation, there was a greater flow of goods and capital from developed countries and as a result, domestic industries were exposed to imported goods.

(v) Spread of Consumerism: The new policy has been encouraging a dangerous trend of consumerism by encouraging the production of luxuries and items of superior consumption.

(vi) Unbalanced Growth: Growth has been concentrated only in some select areas in the services sector, such as telecommunication, information technology, finance, entertainment, travel and hospitality services, real estate and trade, rather than vital sectors, such as agriculture and industry, which provide livelihood to millions of people in the country.

 DPP’s

 Ch – Human Capital Formation

1. Define Human Capital.

Ans. Human capital refers to the stock of skills and expertise in the economy at a particular point of time.

2. Define Human Capital Formation'.

Ans. It refers to the process of additions to the existing stock of skills and expertise in the country. It is measured over a period of time.

3. State true/false with reasons. "Human Capital Formation gives birth to innovation, invention and technological improvements."

Or

"Human Capital Formation gives birth to innovation, invention and technological improvements." Do you agree with the given statement? Support your answer with valid arguments.

Ans. True, human capital formation increases the skills and expertise in the economy. These skills and expertise are then used in research and development which leads to greater level of innovation and technological advancements.

4. In the year ……………………………….. , the Indian Government made education free and compulsory for all children between 6-14 years. (Choose the correct alternative)

(a) 2001

(b) 2009

(c) 2003

(d) 2007

Ans. Option (b)

5. ‘Education Commission 1964-66 had recommended that at least 6 per cent of GDP must be spent on education'. How far India has been able to achieve the said goal?

Ans. The government has failed to fulfil its commitment of spending nearly 6% of GDP on education. It is presently spending only 4% of GDP

6. Assertion (A): Human Capital Formation is a stock concept.

Reason (R): Stock refers to the variables which are measured at a particular point of time.

(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

(b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).

(c) Assertion (A) is true but Reason (R) is false.

(d) Assertion (A) is false but Reason (R) is true.

Ans. Option (d)

7. Assertion (A): Human Capital Formation is an important determinant of economic growth of a nation.

Reason (R): Human Capital Formation leads to better utilization of resources which enhances their skills and productivity.

(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

(b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).

(c) Assertion (A) is true but Reason (R) is false.

(d) Assertion (A) is false but Reason (R) is true.

Ans. Option (a)

8. Assertion (A): Expenditure on education and health are key determinants of human capital formation.

Reason (R): Human Capital Formation is an ongoing and a continuous process.

(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

(b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).

(c) Assertion (A) is true but Reason (R) is false.

(d) Assertion (A) is false but Reason (R) is true.

Ans. Option (b)

9. Which committee took the decision to bring all the children in the age group of 6-14 years under the purview of school curriculum?

Ans. Tapas Mojumdar Committee

10. What is Right to Education?

Ans. Right to Education Act makes free education compulsory for the children in the age group of 6-12 years of age.

11. What do you understand by Brain Drain?

Ans. It refers to a situation which involves migration of skilled people from one country to another in search of better job opportunities and good standard of living.

12. In which year, education cess was imposed in India?

Ans. Year 2004

13. Which of the following five-year plans, recognized the importance of Human capital?

(a) Sixth (b) Seventh (c) Eighth (d) Ninth

Ans. Option (b)

14. ‘Human Capital benefits only the owner and not the society.’ Defened or refute.

Ans. The given statement is refuted. Human Capital benefits not only the owner but also the society in general. For example, an educated person can effectively take part in a democratic process and contribute to the socio-economic progress of a nation. Similarly, a healthy person prevents spreading of contagious diseases and epidemics by maintaining personal hygiene and sanitation.

15. ‘Education contributes to Economic Growth’. Do you agree?

Ans. Yes, I agree with the given statement. Education contributes to economic growth because:

* Education confers higher earning capacity on people;
* It gives better social standing and pride:
* It enables one to make better choices in life;
* It provides knowledge to understand the changes taking place in society,
* It also stimulates innovations;
* It facilitates adaptation of new technologies.

16. How does 'Expenditure on Migration' is a source of human capital formation?

Ans. Expenditure on Migration is a source of human capital formation as enhanced earnings in the migrated place is more than the increase in costs due to migration.

17. Cause and Effect relation between Human Capital and Economic Growth can be easily proved. Comment.

Ans. The given statement is incorrect. Due to measurement problems, it is difficult to establish a relation of cause and effect from the growth of human capital (education and health) to economic growth. For example, education measured in terms of years of schooling, teacher-pupil ratio and enrolment rates may not reflect the quality of education. Similarly, health services measured in monetary terms, life expectancy and mortality rates may not reflect the true health status of the people in a country.

18. How can the productivity of human resources be increased?

Ans. The productivity of human resources can be increased with the help of human capital formation by providing training and skill to available labour force.

19. Education Commission 1964-66 had recommended that at least 6 per cent of GDP must be spent on education'. How far India has been able to achieve the said goal?

Ans. Investment in education system in India has been a woeful failure. The fact of the matter is that, in 1952, we were spending a meager 0.6% of our GDP on education that rose to only 4% in 2014. This has fallen well short of 6% target as proposed by the Education Commission, 1964. Moreover, throughout this period, the increase in education expenditure has not been uniform and there has been irregular rise and fall.

This shows the apathy of the government towards investment in the education system. One can imagine, if the recommended 6% pa, of the GDP would have been spent properly, the present education system would have reached unforeseen heights.

20. What are the two major sources of human capital in a country?

Ans. The two major sources of human capital are: (i) Investment in education; (ii) Investment in health.

21. What are the indicators of educational achievement in a country?

Ans. The indicators of educational achievement in a country are (0) Adult Literacy Rate: (0) Youth Literacy Rate; (ii) Primary Completion Rate.

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

Ans. Regional differences in educational attainment in India can be due to: (i) Regional inequality in incomes; and (ii) Disparities in expenditure by government on development of educational facilities.

23. Bring out the differences between human capital and human development.

Ans. The differences between human capital and human development are:

(i) Human capital considers education and health as a means to increase labour productivity. On the other hand, according to human development, education and health are integral to human well-being.

(ii) Human capital treats human beings as a means to increase in productivity. Any investment in education and health is unproductive if it does not enhance output of goods and services. However, according to human development, human beings are ends in themselves. Human welfare should be increased through investments in education and health even if such investments do not result in higher labour productivity.

24. How is human development a broader term as compared to human capital?

Ans. Human development is a broader term as compared to human capital because:

* Human capital treats human beings as a means to an end, whereas, according to human development, human beings are ends in themselves.
* The concept of human capital asserts that any investment in education and health is unproductive if it does not enhance output of goods and services. However, according to human development, human welfare should be increased through investments in education and health even if such investments do not result in higher labour productivity.

So, it can be concluded that human development is a broader form as compared to human capital.

25. What factors contribute to human capital formation?

Ans. The following factors contribute to human capital formation: (i) Expenditure on Education; (ii) Expenditure on Health; (iii) On-the-job-Training: (iv) Expenditure on Migration; and (v) Expenditure on Information. For a detailed discussion on all these factors, refer "Sources of Human Capital Formation".

26. How government organisations facilitate the functioning of schools and hospitals in India?

Ans. The government organisations play an important role in the functioning of schools and hospitals in India. To boost the education and health facilities, the government has set up various organisations:

* In Education, the ministries of education at the union and state level and departments of education and various organisations like National Council of Educational Research and Training (NCERT), University Grants Commission (UGC) and All India Council of Technical Education (AICTE) regulate the education sector.
* In Health, the ministries of health at the union and state level, departments of health and various organisations like Indian Council for Medical Research (ICMR) regulate the health sector.

27. Education is considered an important input for the development of a nation. How?

Ans. Education is considered an important input for the development of a nation because:

1. Education confers higher earning capacity on people.
2. It gives better social standing and pride.
3. It enables one to make better choices in life.
4. It provides knowledge to understand the changes taking place in society.
5. It also stimulates innovations.
6. It facilitates adaptation of new technologies.

28. Discuss the following as a source of human capital formation:

(i) Health infrastructure

(ii) Expenditure on migration

Ans. (i) Health infrastructure: Health is a source of human capital formation as it directly increases the supply of healthy labour force.

* Poor health and undernourishment adversely affect the quality of manpower. A sick labour, without access to medical facilities, is compelled to abstain from work and there is loss of productivity.
* Therefore, expenditure on health is important to build and maintain productive labour force and to improve quality of life of people in the society.
* Adequate food and proper nourishment to people, along with adequate health and sanitation facilities leads to qualitative improvement in human capital.
* Forms of Health Expenditure: The various forms of health expenditures include: (a) Preventive Medicine known as vaccination; (b) Curative medicine, i.e., medical intervention during illness: (c) Social Medicine, Le, spread of health literacy; (d) Provision of clean drinking water; (e) Good Sanitation facilities.

(ii) Expenditure on migration: People migrate from one place to another in search of jobs that fetch them higher salaries.

* Unemployed people from rural areas migrate to urban areas in search of jobs.
* Technically qualified persons (like engineers, doctors, etc.) migrate to other countries because of higher salaries that they may get in such countries.
* Migration in both these cases involves two kinds of cost: (a) Cost of transportation from one place to another; and (b) Higher cost of living in the migrated places.
* Expenditure on migration is a source of human capital formation as enhanced earnings in the migrated place is more than the increase in costs due to migration.

29. Establish the need for acquiring information relating to health and education expenditure for the effective utilisation of human resources.

Ans. The expenditures on education and health make substantial long-term impact and they cannot be easily reversed. For example, if a child is admitted to a school or health care centre and required services are not provided in such Institute, then substantial amount of damage would have been done before the decision is taken to shift the child to another institution. So, information is needed in case of health and education expenditure for the effective utilisation of human resources.

30. How does investment in human capital contribute to growth?

Ans. Investment in human capital contributes to growth of the economy:

1. Higher production and productivity: The contribution of an educated person to the output or production 53 is more than that of an illiterate person. Similarly, a healthy person also contributes to economic growth by providing uninterrupted labour supply for a longer period of time.
2. Promotes inventions, Innovations and technological improvements: The human capital formation (HCF) not only increases the productivity of human resources but also stimulates innovations and creates ability to absorb new technologies, Education provides knowledge to understand changes in society and scientific advancements, thus, facilitate inventions and Innovations. Similarly, the availability of educated labour force facilitates adaptation to new technologies.

30. There is a downward trend in inequality world-wide with a rise in the average education levels. Comment.

Ans. The given statement is correct. Labour skill of an educated person is more than that of an uneducated person, which enables him to generate more income than the uneducated person. The higher income earning capacity and greater acceptability of modem techniques raise the standard and quality of living. As a result, the gap between the rich and the poor is narrowing slowly. So, rise in average education levels reduces the inequality of income worldwide.

31. Bring out the need for on-the-job-training for a person.

Ans. The productivity of physical capital is substantially enhanced with the improvement in human capital. Due to this reason, many firms provide on-the-job training to their workers.

* Such training has the advantage that it can be provided fast and without much cost.
* It increases the skill and efficiency of the workers and leads to an increase in production and productivity. On-the-job-training may take different forms: (a) Workers may be trained in the firm itself under the supervision of a skilled worker; (b) Workers may be sent for off-campus training.
* After on-the-job training of employees, firm insist that the workers should work for a specific period of time, so that it can recover the benefits of the enhanced productivity owing to the training.
* It is a source of human capital formation as return of expenditure on such training, in the form of enhanced labour productivity, is more than the cost of it.

32. Discuss the need for promoting women education in India.

Ans. Woman education needs to be promoted:

* To improve economic independence and social status of women; and
* Women education makes a favourable impact on fertility rate and health care of women and children.

33. Argue in favour of the need for different forms of government intervention in education and health sectors.

Ans. The expenditures on education and health assume great importance on the formation of human capital. To ensure favourable benefits of such expenditure, government intervention is important because of following reasons:

(i) The expenditures on education and health make substantial long-term impact and they cannot be easily reversed. For example, if a child is admitted to a school or health care centre and required services are not provided in such institute, then substantial amount of damage would have been done before the decision is taken to shift the child to another institution.

(ii) Individual consumers of these services do not have complete information about the quality of services and their costs.

(iii) The providers of education and health services may acquire monopoly power and may get involved in exploitation.

So, the role of government is important to ensure that the private providers of these services adhere to the standards stipulated by the government and charge the correct price.

34. What are the main problems of human capital formation in India?

Ans. The various problems of human capital formation are:

(i) Insufficient resources: The resources allocated to the formation of human capital have been much less than the resources required. Due to this reason, the facilities for the formation of human capital have remained grossly inadequate.

(ii) Serious Inefficiencies: There is a lot of wastage of society's resources as capabilities of educated people are either not made use of (in case of unemployment) or are underutilized (in case of underemployment). Massive literacy, non-education of many children, poor health facilities are other inefficiencies, which have not been attended to adequately and properly.

(iii) Brain Drain: People migrate from one place to another in search of better job opportunities and handsome salaries. It leads to the loss of quality people like doctors, engineers, etc. who have high caliber and are rare in a developing country. The cost of such loss of quality human capital is very high,

(iv) High growth of Population: The continuous rise in population has adversely affected the quality of human capital. It reduces per head availability of the facilities.

(v) Several imbalances: A greater proportion of resources have been diverted towards higher education, which is meant for few people as compared to primary and secondary education. Due to this reason, general productivity of the economy has remained low.

(vi) Lack of proper manpower planning: There is an imbalance between the demand and supply of human resources of various categories, especially in case of highly skilled personnel. The absence of such balancing has resulted in the wastage of resources.

(vii) Weak science and technology: In respect of education, the performance is particularly unsatisfactory in the fields of science and development of modern technology.

35. In your view, is it essential for the government to regulate the fee structure in education and health care institutions? If so, why?

Ans. Yes, it is essential for the govemment to regulate the fee structure in education and health care institutions because:

(i) Individual consumers of these services do not have complete information about the quality of services and their costs or fees structure.

(ii) The providers of education and health services may acquire monopoly power and may get involved in exploitation by charging excessive fees.

So, the role of govemment is important to ensure that the private providers of these services adhere to the standards stipulated by the government and charge the correct fees.