

## **Paramount Impact of Education for Effective Growth of Indian Economy: An Overview**

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*“There is a consensus in the world today that economic development is not all and the GDP is not necessarily a measure of progress of a society.”*

**K.R. Narayanan**

### **Abstract**

Education means obtaining knowledge. A person who has knowledge of his surroundings can survive happily in this society. Education not only helps us in surviving but also makes people aware of their rights and duties towards the nation. All this development comes about only when people are educated in these fields. When people have enough knowledge about a certain field it is easy to bring about new reforms for the development of the society

At the end of 21<sup>st</sup> century, the population of illiterates in India is larger than its total population in 1947. Not all children of India are able to get education and millions of children drop out before completing the higher primary grade.

Education has played a paramount role in the modern industrial world. This is attributed to the fact prospective employees must be qualified adequately to perform various tasks effectively. Industries entail resources that are sufficiently equipped with the modern technology to suit the needs and wants of the society. Education is the most important factor which plays a great role in the development of an individual as well as a country. Now a day, it has become a vital factor for the future brightness of the new generations of any society.

The growth and future of our country highly depends upon the quality of the present school education system. However, it may be noted that although education has always been given high priority by the government of India since independence.

*“The central objective of Planning in India... is to initiate a process of development which will raise the living standards and open out to the people new opportunities for a richer and more varied life.”*

### **First Five Year Plan**

**Key Words** – Paramount, Economy, GDP, UGC, NSDC, MHRD, Productivity, Capita.

### **Introduction**

*“By education I mean an all-round drawing out of the best in man – body, mind and spirit.”*

**-Mahatma Gandhi**

The 21<sup>st</sup> century is the century of education or knowledge based societies. Education is the key role to globalization or the most important component of the mantras of globalization which improve transmission of knowledge.

Education is the most important of all resources far more important than minerals of money. It can be better understood by following facts. Saudi Arabia sits on the world's biggest reserves of oil whereas

Singapore has no resources at all. Yet Saudi Arabia's per capita income is only 52,183 Int\$ whereas the per capita income in Singapore is nearly 82,762 Int\$ (reference, International Monetary Fund 2014) i.e. more than 30,000 Int\$ in comparison to Saudi Arabia. The biggest gap between the rich and the poor nations, we find today, not to capital but the education.

Education is a critical input in human resources development and is essential for the country's economic growth. Though the major indicators socio-economic development, viz. the growth rate of economy, infant mortality rate and literacy rate are all interconnected. The major literacy rate has been the major determinant of rise or fall in the economy growth.

The policy makers of India clearly regarded the causation between Education Development and Economic Growth as bi-directional and in operational terms, they consciously developed the Education to achieve higher Economic Growth.

*“Education is the movement from darkness to light.”*

*– Allan Bloom*

### **Indian Economy**

India is a developing country and our economy is a mixed economy where the public sector co-exists with the private sector. India is likely to be the third largest economy with a GDP size of \$15 trillion by 2030. The economy of India is currently the world's fourth largest in terms of real GDP (purchasing power parity) after the USA, China and Japan and the second fastest growing major economy in the world after China.

India has capitalized its economy based on its large educated English-speaking population to become a major exporter of IT services, BPO services, and software services with \$167.0 billion worth of service exports in 2013-14. India's economy became the world's fastest growing major economy from the last quarter of 2014, replacing China's. Indian economy growth rate is estimated to be around seven to eight percent by year 2015-16.

### **Education and Economy**

At the end of 21<sup>st</sup> century, the population of illiterates in India is larger than its total population in 1947. Not all children of India are able to get education and millions of children drop out before completing the higher primary grade. Education has been a big problem since a long time and a very small minority in the elite get excellent education facilities where as the poor gets no education at all. Especially, a girl child is deprived of education by her own parents due to various reasons. In India there are hundred million missing women as mentioned by Amartya Sen. Girl children are neglected without education. With malnutrition being another serious problem, about half of Indian children are malnourished. The problem is worse and India is still a poor country. It is estimated that an average person in India earns less than Rupees 100 per day.

One main reason for inadequate education in India is due to the funding problem. Besides, there is an over-regulation of the school market.

### **Americans View about Education and Economy**

- 91% of Americans think improving basic education is an effective way of helping nations overcome poverty.

- 84% of Americans agree that increasing foreign assistance to countries that invest in better health care and better schools is a good idea.
- Of all the reasons to give development assistance, Americans rank child survival programs (including prenatal care, immunizations, and nutrition), education and training for people in poor countries, and programs that focus on helping women and girls as three of the top four most compelling reasons.

*(Sources: Peter D. Hart Research Associates, March 2002, on behalf of CARE International; Program on International Policy Attitudes: A Study of U.S. Public Attitudes, February 2001.)*

### **Major Challenges to Indian Economy:**

- Population explosion:
- Poverty: As per records of National Planning Commission, 36 crore people were living below the poverty line in India in 2012.
- Agricultural income under stress.
- Increasing investment in infrastructure,
- Decline in manufacturing
- Maintaining fiscal discipline.
- Resource crunch in view of higher devolution in taxes to states.

### **Role of Education in the Economic Growth**

*“Education has unrivalled power to reduce extreme poverty and boost wider development goals,”*

A country's economy becomes more productive as the proportion of educated workers increases, since educated workers are able to more efficiently carry out tasks that require literacy and critical thinking. As stated earlier, better-educated workers tend to be more productive than less educated ones.

**Table 9.4 : Trends and India's Position in Global HDI 2013**

Country	HDI 2013		Change in rank		GNI per capita 2013(\$)	LEB (years) 2013	Mean year of schooling (years) 2012 a	Expected year of schooling (years) 2012 a	Income Inequality	
	Value	Rank	over 2012-13	Between 2008 & 2013					Quintile income ratio 2003-12	Gini-co-efficient 2003-12
Norway	0.944	1	0	0	63,909	81.5	12.6	17.6	...	25.8
US	0.914	5	0	-2	52,308	78.9	12.9	16.5	...	40.8
Germany	0.911	6	0	-1	43,049	80.7	12.9	16.3	...	28.3
UK	0.892	14	0	-2	35,002	80.5	12.3	16.2	7.2	36.0
Russian Fed.	0.778	57	0	0	22,617	68.0	11.7	14.0	7.3	40.1
Sri Lanka	0.750	73	2	5	9,250	74.3	10.8	13.6	5.8	36.4
Brazil	0.744	79	1	-4	14,275	73.9	7.2	15.2	20.6	54.7
China	0.719	91	2	10	11,477	75.3	7.5	12.9	10.1	42.1
South Africa	0.658	118	1	2	11,788	56.9	9.9	13.1	25.3	63.1
<b>India</b>	<b>0.586</b>	<b>135</b>	<b>0</b>	<b>1</b>	<b>5,150</b>	<b>66.4</b>	<b>4.4</b>	<b>11.7</b>	<b>5.0</b>	<b>33.9</b>
Bangladesh	0.558	142	1	2	2,713	70.7	5.1	10.0	4.7	32.1
Pakistan	0.537	146	0	-1	4,652	66.6	4.7	7.7	4.2	30.0
<b>World</b>	<b>0.702</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,723</b>	<b>70.8</b>	<b>7.7</b>	<b>12.2</b>	<b>-</b>	<b>-</b>

Source : HDR 2014.

Notes : \$: GNI (gross national income) is based on 2011 dollar purchasing power parity (PPP).

GII is Gender Inequality Index. LEB is life expectancy at birth : Data refers to 2012 or the most recent year available.

From the above data we can conclude that as expected year of schooling decreases per capita income also decreases. There are some little variation which influence by other factor. Thus expect a positive causal relationship to exist between Education and Economy. The growth of the economy and development of a country is depending upon the education system of that particular country.

### Danger of a Poor Education: Education and the Economy

Having a strong education system produces economic gains for India and the nation as a whole; conversely the effects of having an inadequate, inequitable system drain our economy. This correlation has grown increasingly relevant as our nation recovers from the economic downturn. The growing demand for highly skilled workers further illuminates the importance of providing an opportunity to learn to all students. Education's effect on the economy can be clearly seen when examining issues like jobs, consumer spending and revenue. The following highlights the inseparable relationship between education and the economy.

### The Indian Context:

The association between higher education and its impact on economy is of immense import to India. The country is positioned in a milieu which makes the two variables inexorable—in more Ways than one. In fact, the country's profile presents itself as a prototype of the inevitable need to drive higher education forward, or else face economic downfall. It would not be far-fetched to claim that the Indian higher education system has witnessed a metamorphosis of monumental proportions. It has burgeoned from an

instrument of colonial ascendancy, as was the case with other former colonies to a system that aspires to be egalitarian and affirmative action oriented. It is imperative to factor in the country's colonial history to grasp the larger landscape. Further, the economy has had to emerge from being primarily agrarian to one that has a growing industrial and service sector presence. **Chronological evolution of higher education and corresponding impact on the Indian economy**

1. Independence era: the weight of colonialism hung heavily on the higher education system as well as the economy. The higher education system was manifestly an area of desertion and forsaking. In tandem, the economy was predominantly agrarian; the industrial sector was limited to areas that were directly linked to natural resources such as mining.
2. Post independence: the decade post independence was characterized by Nehru's strong socialist leanings coming perhaps from the strong sway of the Soviet Union. The guiding idea was to promote industrialization through central planning. The state invested heavily in higher education in techno-engineering. The rewards of this investment did not come right away as it took years for HEIs like the IITs to build capacity and generate the expected outcome of highly Specialized workforce. Nonetheless, the seeds were sowed and the significance of specialized technical training was driven home. The state investment in higher education was matched by investment in PSUs (public sector units).
3. The '70s and '80s were marked by heavy-handed socio-democratic policy which was characteristically protectionist. There wasn't much to write home about on the higher education front. Unlike the preceding era, higher education was not an area of priority, and the state investments were not as impressive as the Nehruvian period. In this, India did not align itself with the Asian Tigers—the stronger economies of Eastern Asian and South East Asian countries which took deliberate steps to integrate with the West.
4. Arguably, as a result of the above mentioned distancing from the globalization, the country suffered economic downfall that was not short of a crisis situation. The writing on the wall was loud and clear: globalize or perish.

### **India: Prospects for Emerging As a Knowledge Economy**

The Prime Minister, **Dr. Manmohan Singh (2005)** has optimistically forecast that the 21st Century will be the “knowledge century”, by which he refers to the socio-economic transformation that the country is projected to go through in the 21st century as a result of knowledge creation. The Prime Minister, Mr. Singh affirmed the Government's avowal thusly: *“the time has come to create a second wave of institution building and of excellence in the field of education, research and capability building so that we are better prepared for the 21st century”*. With the singular purpose of modeling recommendations and means to tap into this reservoir, the Government founded the **National Knowledge Commission (NKC)** in 2005. The *raison d'être* was expressed in the following declaration: “our demographic profile, with 550 million below the age of 25, has the potential to constitute one-fourth of the global workforce by 2020” Thus, we infer that if the higher education system in India is to benefit the economy it has to be revamped systemically so it can reach as wide a base as possible without watering down the merit.

The Indian higher education system is one of the largest in the world in terms of the number of colleges and universities. From 350 universities and 16,982 colleges in 2005-06, the numbers have gone up to 713 universities, 36,739 colleges, and 11,343 diploma-level institutions in 2013-14.

*“Investing in education, especially for girls, alleviates extreme poverty through securing substantial benefits for health and productivity, as well as democratic participation and women's empowerment,”*

## **The Government of India Initiatives to Impact Economy through Higher Education**

The Government of India (GOI) has been wise in taking note of the gains we stand to accrue from investing in higher education. The following list of initiatives undertaken by the Government is by no means comprehensive; nonetheless it exemplifies the scope and nature of endeavors.

### **The University Grants Commission (UGC) 12th plan**

An initiative of the University Grants Commission, the Plan is structured to remedy the fundamental lapses in the Indian higher education system. The plan mandates that those autonomous colleges that show promise will be identified as “colleges with potential for excellence” (CPE) and upgraded into universities. To this end, the UGC has allotted over Rs 1,84,740 crore. The guiding idea is to ease the load of universities which are typically overburdened in terms of limited budget and administration of more colleges and students than is adequate. Parallel to the idea is the goal of greater autonomy to existing colleges and universities. It does so in very concrete terms: universities are not to have more than fifty affiliated colleges; further, the total enrollment is not to exceed 50,000 students. The advancement of both state and central colleges to universities is firmly grounded in tangible performance evaluation;

### **The National Skill Development Corporation India (NSDC)**

The NSDC is remarkable in that it is a “public-private partnership”. It aims to promote skill development by fostering vocational institutions. It operates through advocacy and initiatives supported by the Government of India and industry associations. The advocacy bit is carried out by “sector skills councils” which help identify skill development needs, and “sector specific labor market information system” which assist in the planning and delivery of training.

### **The Ministry of Human resource Development (MHRD):**

The responsibility of furthering higher education in accordance with the guidelines laid out by the Government lies with the MHRD at the end of the day. The MHRD sponsored initiatives include projects such as the “*National Commission for Higher Education and Research*” (NCHER) and the “*Education Tribunals Bill 2010*”. The Ministry has a division dedicated to working on initiatives to improve internationalization of higher education. The **International Cooperation Cell (ICC)** is responsible for projects related to institutional collaborations, quality assurance, and scholarships and such. Among the noteworthy initiatives in international cooperation are: India-US Higher Education Summit, Singh- Obama Knowledge Initiative, UK, India Education and Research Initiative, and United States India Educational Foundation; furthermore, there is a whole gamut of collaborative and leadership programs under the aegis of UNESCO.

### **Internationalization of Higher Education in India and its Impact on the Economy**

The internationalization of higher education in India is fallout of the liberalization that the country went through since the early nineties as part of a deliberate politico-economic strategy by the State. This shift in stance took form hand in hand with an ideological paradigm shift spawned by radical advancement in information technology and media all over the world. The following three tables depict—in this order—the number of international students in India, the geographic region that they come from and the top ten countries that send the largest number of foreign students in India:

### **Government Efforts for Increase Education**

To build capacity in secondary schools on par with expanded primary enrolments, several schemes like the Mid-Day Meal (MDM) scheme, Rashtriya Madhyamik Shiksha Abhiyan (RMSA), Model School Scheme (MSS), and Saakshar Bharat (SB)/ Adult Education have also been implemented. The focus of SB is female literacy. Inter alia, the lack of trained teachers compounds the problem. To strengthen the cadre of teacher educators by providing early career choice to prospective teachers and to fill the vacancies in teacher education institutions, a new four-year integrated programme, i.e. BA/BEEd. and BSc./Bed. has been introduced.

At present, The Indian higher education system is one of the largest in the world in terms of the number of colleges and universities. From 350 universities and 16,982 colleges in 2005-06, the numbers have gone up to 713 universities, 36,739 colleges, and 11,343 diploma-level institutions in 2013-14. India has made huge progress in terms of increasing primary education attendance rate and expanding literacy to approximately three-fourths of the population. India's literacy rate had grown from 52.2% in 1991 to 74.04% in 2011. The right to education at elementary level has been made one of the fundamental rights under the eighty-sixth Amendment of 2002, and legislation has been enacted to further the objective of providing free education to all children. However, the literacy rate of 74% is still lower than the worldwide average and the country suffers from a high dropout rate.

### **Conclusion**

Education is a vital instrument for shaping the overall development strategy of a country. Economic development depends not only on an increase in the supply of resources and creation of additional production but also on educational progress. Education enhances modern technology which helps to develop apparatus in the form of machines, equipment and the instrument of production. Education also empowers workers with modern knowledge which help to work with machines and indirectly increase production. Education enhances the process of economic development. If there is spread of education in our country, it is possible to grow faster. Suppose if modern farmers are to improve their living standard, they must raise productivity (yield per hectore). This is possible by applying modern technologies as also HYV seeds and fertilizers. But if farmer are illiterate, they cannot take advantage of modern technology

There other challenges to Indian economy like poverty, low per capita income e.t.c. To meet these challenges public sector needs to step in to catalyse investment, make in India programme to create jobs in manufacturing, continue support to programmes with important national priorities such as agriculture, health, MGNREGA, rural infrastructure including roads.

*“Educating girls’ yields a higher rate of return than any other investment available in the developing world.”*

**- Lawrence Summers** (*chief economist of the World Bank*)

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