

INVESTMENT IN EDUCATION AND ITS CONTRIBUTION TOWARDS ECONOMIC TRANSFORMATION

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ABSTRACT

Education is believed to be a prime parameter contributing towards nation building. Access to education is directly linked to economic development. Education involves the extensive scope in contributing towards alleviation of poverty and other evils from the society. Acquisition of knowledge ensures the way towards better skills, enhancing standard of living, designing new ideas, implementing innovations, paving the way to technological expansion, structuring strategies for research and development and instilling a sense of self independence among the learners. Hence, investments in education are the need of the hour. But, in India, a section of the population still faces the dearth of access to quality education. Accordingly, initiatives are to be designed to make learning accessible to all, which can thereby contribute towards economic development of the nation. Improvement in per-capita income, agricultural development, industrialization, productivity, entrepreneurship, policy determination, administration, foreign trade, self empowerment, social development, and access to better health facilities, better job prospects and human capital formation are the inherent consequences of increase in investment in education. These further enrich the economic status of an individual as well as the nation. The government has an active role to play in channelizing the relation between education and economic development. This paper intends to study this relationship between education and its contribution towards achieving economic transformation for the future.

Keywords - education, investment, contributions, economic transformation.

1. INTRODUCTION-

Knowledge plays a pivotal role in steering the process of development of an individual as well as that of a nation. Economic state of a nation is directly and indirectly linked to the state of educational advancements and its consequences. According to President Ram Nath Kovind, “institutes of higher education can be instruments of social and economic transformation to help states in human development indices.” Education has a long lasting and multifaceted ways of contributing towards the sustainable development of the society. Starting from pre-primary to higher educational levels, every sector has its set of role to play in catering to the developmental needs of individuals who finally add to the progress of an economy. Education lends us the platform where we learn to shape our socio economic character. Access to education is a key element that helps in eradicating the challenges and barriers to propagate the development we aspire to reach.

Investment implies the act of spending on some capital. In this sense, investment in education means spending on human capital. Economic transformation relates to the state of changes to be brought about in an economic perspective, through pondering more importance on the education sector in this case. It is the continuous process of increase in quality of labour. Education is believed to be a basic tool for economic development. It empowers a nation. Investments in education are done with a goal to shape the socio-economic development of a nation. Education instills an urge towards innovation and creates human resources. Increase in investment in knowledge comes with higher returns to the economy through increase in productivity of its labours. With the desire to improve, there has been a surge in demand for quality education. Hence, investments in education are the new concern for countries to enhance their potential. Investment in education would surely help nations to improve their performance in the development measuring criterion of Human Development Index (H.D.I.)

2. OBJECTIVES-

- To study the relation between education and economic development.
- To study the impact of investments in education and its benefits.
- To study the probable outcomes of education on economic transformation.

3. METHODOLOGY-

In this study, the secondary research approach has been used. The paper is basically descriptive in nature and is based on secondary data. The discussion and findings have been stated by analyzing and reading articles, books, magazines, journals, internet and information from official websites of UNESCO and UNICEF.

4. DISCUSSION- The prospects of investment in education and economic transformation has been discussed below-

4.1. Relation between education and economics

Demand, supply, costs, production, consumption, investment, resources, Rate of return, are some economic terms applicable to education. Education is considered to be an 'economic good'. Students or learners are the consumers of education while the government, is a major producer of education. Learners derive satisfaction from education. Demand for education is met by increasing initiatives like subsidies in education, compulsory free education, schemes and policies to establish schools in remote areas and so on. Just like investment in an asset brings returns in future, in a similar manner investment in education are guided by future expectations. Individual invest in education by spending money, time and effort to earn knowledge. The government and other authorities invest in education to create an environment of opportunities and facilities to access education. However, such investments are always dependent upon the rate of return. Thus, a huge lot of resources are attributed towards creating human capital capable of bringing about transformation in the economy.

The assessment of investments in education has gained more popularity in the recent years. Earlier, Adam Smith had opined that investing in education is like purchasing an expensive machine which is sure to yield results in the future. John Stuart Mill said acquired capabilities and skills of a person can be regarded as a fruitful capital. Alfred Marshall termed education as a national investment. He believed that the most valuable of all capital is the one invested in human beings. Theodore Schultz crowned human capital as a crucial factor in development. Schumpeter emphasized the concept of innovation and entrepreneurship qualities in his theory of growth. Indian economist Amartya Sen also gave importance on the economic aspect of education. Hence, education is a 'unique investment' in the present and future. Education results in positive externalities.

4.2.Importance of investing in education

India is a developing country with a population ranking second among the world and with an increasing growing population. The youths demand knowledge. Although education is a right of every child, there is still a section of people vulnerable and devoid of any scope of education. Lack of awareness, lack of resources, lack of infrastructure, ignorance hinders the accessibility to education. The rural India shows a gloomy state in terms of availability of education. Traditional beliefs, geographical location, assessment of opportunity cost of education, further aggravates the scenario. However, ensuring a better future of these children, whether they are poor or underprivileged is the basic requisite to invest in education. Policies and schemes have been undertaken by the Government, yet there is still a need to invest more on this aspect.

Surveys have clearly shown that nations which have invested more on education have more potential of progressing. Advanced countries like Norway, USA spend more than 6% of GDP on education. While in India, less than 3% of GDP is attributed to the education sector. Education helps in solving these prime factors that curb the economy from developing- poverty, illiteracy and unemployment. Education has all the potential to revamp an economy into better ways. Better access to education results in productive manpower, willing and capable of rendering better service to the society. Education attracts innovation, thereby contributing towards research and development. The necessity of investing in education was not felt much in the past. However, with increasing competition and changing times, with rising demand for quality education, the initiative to invest in education becomes inevitable. The benefits of education can be assessed in terms of national income, economic growth, and poverty alleviation and in human development impacts like increased rate of returns, impact on earning, standard of living, better civic sense and capabilities.

4.3.Education and poverty

Poverty is a prime parameter that affects the development of an individual. Poverty has also been a major cause behind underdevelopment of a nation. Poverty causes disruption in the achievements of a child, be it in educational performances, talents, or personal development. Due to extreme poverty, parents render more importance on the labour value of their child rather than the benefit he or she would receive from education. Poverty negatively influence early childhood and also cripple children's futures. It compels the children to limit their potential and restricting themselves thinking poverty to be their fate. An access to education is related to reduction in the state of poverty. Studies have shown that the exposure to knowledge opens up doors to opportunities, skills and awareness that help an individual to engage in income earning activities to lift the family out of the clutches of poverty. Education helps a child to develop social, emotional and communication skills. This can be used to acquire abilities and higher education. Education helps in spreading awareness among the masses, thereby enabling them to adapt to the requirements of a competitive society. They can understand the necessity of a better livelihood to reap the economic benefits. Acquisition of knowledge is linked with a better future. Education results in better individuals who are capable of earning better. They are eligible for better jobs or can even get indulged in self employed activities. Education assures employment opportunities. It enhances self esteem of a person. With this, there would be an increase in income, paving the way to an increase in standard of living. The poor people experience lack of financial resources to sustain their educational needs. In India, free and compulsory primary education, mid day meal schemes, various scholarships, educational credits system are some of the government initiatives undertaken. These have helped in fulfilling the need of education even among the poverty stricken marginalized section of the society. Education provides a base to break the cycle of poverty. Access to education and earning are correlated. More the level of education, higher would be the earnings. This is because highly paid jobs demand higher qualification and knowledge. Education ensures better job prospects with higher earnings. In this manner, education improves the per capita income, which in turn would increase national income and boost the process of poverty eradication.

4.4.Education and inequality

There is difference in availability of education which results in inequality. Earlier the richer section which can bear the cost of education could enjoy the benefits, while the weaker section would remain untouched. Investment in education eradicates the notion of inequality in the society. With the advent of investing in education, people are aware about its benefits. With initiatives and policies from Government, education has become almost available among all sections of the society. There has been decrease in inequality in gender dimension in accessing education. Parents are investing on education of their girl child. With this, the scope of employability of the girl has increased. Girls have become aware about their capabilities. With education, they are able to raise voice against any injustice they face. Through the scope of financial independence the future of the girls are secured. As empowerment of girls gain priority, it has its benefits over the society as educating a women means educating a family. Again, empowered women come with better health care, decrease infant mortality rate and maternal mortality rates along with a control over birth rates.

4.5.Education and productivity

The best way to evaluate the economic growth of a country is to measure the quality of its working population. Just mere presence of huge number of workers is not fruitful if they are not productive and skillful. Labour productivity can be defined as the amount of output produced relative to the amount of labour used. Knowledge improves the efficiency of the working population, be it in rural or urban areas, formal or informal sector. For this purpose, introduction of vocational education, on the job training, practical knowledge, initiatives to improve skills, technological knowledge has gained importance in recent years. For instance, the present scenario demands edtech friendly teachers to carry on with the teaching-learning activity, amidst the COVID-19 crisis. Those who are not familiar with the online platform are investing time and efforts to get adapted to it to render better services. Teachers are trying hard to increase their productivity by attending online courses on e-learning tools, ICT tools, and online platforms to conduct classes and so on. This is the demand of the current scenario and teachers are trying their best to supply their services accordingly. Similarly, in agriculture sector, more success has been achieved by farmers who are capable of utilizing the modern skills and technologies in his cropping practices as compared to the ones who are still engaged with the traditional tools. With increase in agricultural surplus, farmers are capable of designing better marketing strategies. This helps them to earn more thereby enhancing their profits. With this, there has been an increase in demand for agribusiness. More labour productivity implies greater production ability. More and more people are getting engaged in agriculture which is surely a positive sign of development in a country like India. A factory with productive manpower leads to better managements and more outputs. With increased outputs, such factories are capable of lending more to the market which comes with profit. Moreover, a skilled and productive worker is capable of earning a higher wage than the rest. A productive labour force generates economic growth. A recent report of India Ratings and Research says, India will have to raise its labour productivity growth to 6.3% to achieve 8% GDP growth, while it has to be increased by 7.3% to achieve an economic growth of 9%. This can be done by training the labour force, by investing more on improving their performances.

4.6.Education, human capital formation and growth

The ultimate aim of education is to create efficient and skilled human beings which can contribute to the economic growth of a nation. Education forms a basis of examining the Human Development Index (HDI) of a country. Countries with higher HDI rank also shows better economic performances. With knowledge, a human being is termed to be a human capital, capable of serving the society. Investments in individual level relate to those expenses made by families in educating their children. National investments towards human capital demand the availability of higher educational institutions, updated courses to pursue, provision for research and development, inclusion of scientific temperament, enhanced training projects, introduction of technology enabled digital scopes of studies, provide scope to enhance the skills of workers, make provision for workshops dealing with advanced tools, invest in best equipments, design international co-operations in education and so on. Human capital is capable of implementing new discoveries and unique ideas. Innovations are the inherent outcome of education. Knowledge accumulation complements a country's trade performances. Education makes a nation's export sector competitive.

Better trade relations, a notion towards industrial development, a clear implementation of sustainable development are some of the key determinants of human capital formation. All these would certainly lead to growth of an economy in terms of GDP. Hence, investing in people is so much a necessary.

4.7.Education and economic transformation

From all the above highlights, we see that the outcomes of investing in education can be assessed in both individual and national level. For a person, education brings economic changes through skills and knowledge, eligibility for jobs, better income level, better social life and better standard of living. On the national and societal perspective, the educated masses result in human capital, removal of mass poverty, socially responsible population, improved public health and other such spillover effects from education relate individual benefits with social benefits. All these factors in the long run lead to economic transformation and development of a country. When education is considered to be an asset, investing in it to gain economic benefits in the future is inevitable.

5. CONCLUSION

Access to quality education will surely result in economic growth. According to a UNESCO study, reduction in global poverty could be achieved simply by letting children the scope of primary education. In order to make the SDGs a reality, investments towards access to 'quality education' is the requisite which will ensure attainment of other related goals like 'no poverty', 'decent work and economic growth', 'reduced inequality' and 'industry, innovation and infrastructure' which would guarantee economic growth and development. Although the government is the primary producer of education, corporate bodies, NGOs too have their role to play in this arena. Through their Corporate Social Responsibility projects these institutions should make way towards investments in education. An investment on education can reap the largest dividends for a country and the society. Both primary education and higher education should gain importance in contributing towards societal development. As education forms a platform that determines the growth and potential of a country, so with proper planning increasing the share of investment in education is the basic requirement. From boosting GDP to lifting the masses out of poverty, education is the most powerful tool available. Hence, investing in education is a necessity to achieve economic transformation.

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