

E-Learning Study Material  
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Subject - Economics  
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BA III Economics Hons

Q:- Explain the Role of Education in  
Economic Development.

P.T.O

*“The most important and urgent reform needed in education is to transform it, to endeavor to relate it to the life, needs and aspirations of the people and thereby make it the powerful instrument of social, economic and cultural transformation necessary for the realization of the national goals. For this purpose, education should be developed so as to increase productivity, achieve social and national integration, accelerate the process of modernization and cultivate social, moral and spiritual values.”*

- *Radhakrishnan Commission on University Education, 1948-49.*

By the study of economic history of Great Nations of the world we find the prospects for the creation of wealth by our people are virtually limitless. This is so because the potential of creative and knowledge-rich human resources is itself unlimited unending.

For a developing economy like India, where literacy levels are comparatively low, where there exists critical gaps in educational attainments across regions, population segments and more importantly, there are significant returns to education-economic, social and political-to be reaped, it was desirable to select educational indicators reflecting, for example, a social preference that laid greater value on acquiring literacy early on in an individual's life.

It could be assessed that a literate population only does not underline the overall development of a society but the development may also be reflected through the good quality and relevant education. Moreover other indicators like teacher-pupil ratio, school enrolments and attendance, public spending on education, periodicity of training as well as review of curricula and teaching practices could also be used to capture the qualitative and

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quantitative aspects of educational development in an economy running under developing phase.

Education makes significant contribution to development of a nation. This idea first come in discussion by Adam Smith in his book "Wealth of Nations". Thomas Malthus the great classical economist at the end of the 18<sup>th</sup> century, stressed the importance of education and explained the close relationship between literacy improvement and birth rate. Alfred Marshall at the end of 19<sup>th</sup> century further emphasized the importance of education as a national investment. Even other theories of economic growth in modern times emphasized on education, skill and acquisition of knowledge. These theories of development now argue that developing nations have a better chance of catching up with the more advanced economies when they have a stock of labour who have the skills to develop new technologies themselves or to adopt and use foreign technology. In this type of model, more education in labour force increases output in two ways : (a) education adds skills to labour, increasing the capacity of labour to produce more output and (b) education increases the workers capacity to innovate regarding new way of using existing technology and creating new technology in way that increase his or her own productivity and the productivity of other workers. The fact that individuals with more education have higher earnings is another indication that education contributes to development. According to T.W. schultz formally organized education at the elementary, secondary and higher levels is one of the important methods of developing human capital which is "the process of increasing knowledge the skill and the capabilities of all the people of the country". T.W. Schultz has calculated that investment in education contributed 3.5 times more to the increase in gross national income than investment in physical capital. Human recourse capitalism signifies that

our most important national resource is we ourselves - our energy, our intelligence, our commitment to national goals and our ability to work together in pursuit of a shared vision.

A last we should keep in mind that the potential and the prospect for the creation of wealth by and for our people is virtually limitless. This is so because the potential of creative and knowledge-rich human resources is itself unlimited and unending in the process of development of the society.

– Jai Hind