

## ROLE OF EDUCATION INSTITUTIONS IN ECONOMIC GROWTH

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### ABSTRACT

*In human capital, any country has not achieved continuous economic growth without having enough investment. Past studies have shown great returns in different forms of human capital accumulation: training, research, basic education, learning, and qualification construction. Delivery of education matters. In many countries, uneven education has a negative effect on per capita earning. In addition the use of appropriate functional form specifications for human capital distribution and the use of appropriate functional form specification according to the asset allocation model makes the difference in the impact of average education whereas failure to do so, the average education is equal to the unimportant and even negative effects. In the human capital, the development of investment can have a little effect unless the people can use education in competitive and open markets. The bigger and more competitive these markets are, the greater the potential for access to education and skills. The main objective of this paper is to show the role of education in financial growth and the impact on education on labor productivity, business, poverty, technology, health, income distribution and family structure. For development education provides a basis, the basis on which most of our financial and social well-being is created. It is the key to growth financial efficiency and social stability. Increasing the value and efficiency of their labor, it helps lift the poor out of poverty. It enhanced the totally productivity and intellectual flexibility of labor force. It is aware that a country is competitive in the world market which is now characterized by changing technologies and production ways. Increasing the integration of child with different social or ethnic groups in the initial life, education is important contribution in nation and conducting mutual tolerance.*

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**Keywords:** Education, Competitive, Radical, Investment, Economic, Productivity, Trade, Challenges.

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### Introduction

Before the nineteenth century, the systematic investment in human capital in any country was not considered particularly important. Spending on school education, job training and other similar types of investment was significantly less. During this century, with the application of science for the development of more efficient methods, first in the Great Britain and then gradually began to change it in other countries. During the twentieth century, the acquisition, skills and knowledge have become important determinants of the productivity of an individual and a nation. One could also call the twentieth century the "era of human capital" in the sense of the primary determinant of the life

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level of a country is that it is very successful in the development and use of skills and knowledge, and enhance health and educates most of the people. In the past decades, the extraordinary expansion has been seen in reaching basic education in the Middle East. Many countries are now on the verge of further increase in access to secondary and higher education and are making spectacular improvements in the education's quality delivered at all levels. As the increasing number of students meets their basic education, so too is their demand for higher education. Educating girls and women is probably a most effective investment which can make a developing country, whether or not women work outside or house. It makes the crowd of positive remuneration for families including good health and nutrition, better birth difference, low infant and child mortality rate and increased educational acquisition of children. In the Middle East countries are increasingly integrated into world markets for manufactured goods. Their capacity to compete in these markets and in the globalization of service markets will depend on the excellence of human capital, which they bring in competition. To ensure that all civil are educated and comprehensive, many people have wide range of problem solution skill beyond the basis level and some have world-class professional skills, the need for new courses, better teaching programs and pedagogical methods that promote higher order cognitive skills.

### **Education and Productivity**

Distinctly academic provision within a given country represents one of the main determinants of the structure and development of that production of country and exports and constitutes an important component in the capacity of system to effectively borrow the overseas technology. As example: health and nutrition, and primary and secondary education, increase productivity of all rural and urban workers; committee provides the acquisition of secondary education, skills and managerial capacity including professional; tertiary education supports the development of basic science, the proper selection of technology import and development of domestic optimization and development of technologies, secondary and tertiary education also represent important elements in the development of major organization, law, government and financial system, among others, for economic development all are necessary. Empirical evidence on both subtle and gross levels are more clarified these connections. At the micro level, many studies shows that the increase in income is related to additional years of education, the rate of return with high level education is different. The return on primary education is higher than the return on secondary and tertiary education. In farming, evidence suggests the positive influence of education on the productivity between farmers using modern techniques, but less effect in those who use traditional ways, as can be expected. In Thailand, the possibility of adopting fertilizers and other modern inputs in the farmers of four or more years of schools or less than the educated farmers was three times more. In Nepal, similarly the total of minimum of seven years of school education increased productivity by more than a quarter in wheat and 13% in rice. In industry education also play an important role in technological competence and technological change. In Sri Lanka, Statistical analysis of clothes and engineering industries citing only one example, shows that the level of skills and education of workers and entrepreneurs were positively related to the firm's rate of technological change. Of course only education cannot change any economy. With the amount and quality of domestic and foreign investment, with the overall policy environment, the other important determinant of economic performance is to become. Yet these factors of human development level also have effect. The quality of policy construction and investment decision is affected by the education of both policy makers and mangers; apart from this, the amount of domestic and foreign investment is likely to be higher when a system's human capital supply is more abundant.

### **Education and Income**

There is also a positive response to greater income equality from better education. In return, it is likely to take the side of the high rate of development. As education become more widely based, people with less income are better in search of economic opportunities. As example, a study in the 1980s of the relationship between schooling, income inequality, and poverty in 18 countries in Latin America found that a quarter of the variation in worker's incomes was due to variation in schooling attainment. It concludes that on income equality clearly education is the variable that has the greatest impact. Another study suggested that the increase of the income of lower-level people will increase by 40 and 60% to 6 and 15% by the increase of one percent in the labor force with at least secondary education (Bourguignon and Morrison,1990). Secondary enrollment rates were found to significant in 36 countries examining determinants of income distribution. Education can influence per capita income growth through its effect on every population growth. As example , a study of fourteen African

countries in the middle of the eighties showed a negative correlation between women's school education and reproductive capacity in almost all countries, there was a negative impact in almost half of the primary education and did not have any important impact in second half, while secondary education did not invariably reduce reproduction capacity, in terms of low fertility, the three successful countries Kenya, Zimbabwe and Botswana, had the highest levels of women education as well as the lowest child mortality.

### **Education and Trade**

Some countries have added usage and investment in learning and education, which makes a virtue cycle: openness creates demand for education, and learning and education becomes more competitive to the country's export area. Knowledge accumulation affects a business performance of the country and business competitiveness, which in turn, enhances knowledge accumulation, particularly via imports. To maintain any type of knowledge accumulation, a country should be externally oriented and an important exporter. Young and Keller found that the business cannot be the engine of development but must operate in certain of human capital, to influence growth. A World Bank study found that economic growth rates were particularly high during 1965-87 in a sample of 60 developing countries with a combination of high levels of education and macroeconomic stability and openness. Thus, the effect of business openness on long-term development depends on how well people are able to absorb and use information and technology provided through business and foreign investment. It is widely accepted that to be adaptable to the world's strong competition environment and the role of information, knowledge and skills, advanced economic requires advanced quality of their labor force.

### **Economic Growth and Education**

The development path is an area which depends on the level of accumulated human capital at the beginning of the development process. The use of the Lucas model can also be done to correct the academic subsidy due to the contained positive external arising from education. In cross-country empirical studies specifically, Barro found that once other factors were controlled for, human capital actually had a positive effect on development. The analysis of Barro was quite focused on positive effects on the development of basic education variables- primary and secondary schooling education. Using similar methods Chatterjee (1998) enhanced it to include tertiary education and found a similar positive result. Using Indian data from 1966 to 1996, Self and Grabowski (2004) used time series techniques to study the casual effect of primary, secondary and tertiary education on Indian development performance, the results confirms primary education's importance with a weak evidence for secondary education and there is no evidence that there is beneficial effect on the development of tertiary education. Clear irrelevance of tertiary education is definitely in line with the unemployment hypothesis to the graduate disguised. But maybe the most interesting search development process of Self and Grabowski is the importance of women education (at all levels) in the development procedure. It supports the results of Duraisamy (2002) the return rate in education was more for women.

### **Challenges: Access, Equity, Quality, and Speeding up Reform**

The economies of low and middle- earning countries have historically been growing at a rapid pace. Advances in education expanded enrollment and long schooling has contributed to this increase and therefore helped to reduce poverty in progressive countries. A typical six year old in developing country in 1990 can expect to go to school for 8.5 years, up from 7.6 years in 1980, Eastern Europe and Central Asia rules schooling for 9 to 10 years, primary education is almost universal in East Asia and Latin America and the Caribbean. The country of Middle East North Africa are constantly progressing, there are also similar in South Asia though they still have a long way to go. Sub-Saharan Africa is lagging: some countries are earning profits, but overall, the primary nomination ratio is actually decreasing. Still despite these sufficient achievements in the whole world, large challenge remain: these increasing in improve the equality, improve quality and where to be necessary, it is to speed up academic improvement. In most countries, more children want to attend schools than are able to enroll and demand for higher education is generally increasing rapidly compared to the supply. Nomination gap among Europe and Central Asia's transition economies and OECD members is also widening as enrolment ratio decline in the former and increase in OECD countries. The issue of equality primarily influences many overlapping deprived groups, including the poor, linguistic and ethnic minority, refugees, nomads and street and working children. The separate access of boys and girls to the education system is also very important in some parts of the world as it contributes to the gender gap later in life. In most countries in Europe and Central Asia and Latin America, the gender gap in expected years of schooling in now very low. It remains big in the Middle East and North Africa

and South Asia, where it is not taking off at all. The quality of education in low and idle income countries is poor at all levels. The average level of achievement of students in developing countries is lower than in industrialized countries, and their performance varies greatly around the mean. Delay in improving education systems to syringe with economic structures in transitional economies of Eastern and Central Europe are the most obvious. Delays in reform can growth: on the contrary, timely improvement can pay off in terms of economic growth and poverty reduction, as evidenced by East Asian countries, which have generally seen both men and women, has invested heavily in basic human capital.

### **Education and Economic Development in India**

Individuals have made educational options in the same way as any other investment decision, in which the general features of all that the paid investment costs generates the flow of profit through time which is the current discount value to be compared with the current cost. After this, the economic studies that have been trying to measure the return rate in education the so called Mincerian approach, while the other can be expected to affect the earnings of other faces which can be appreciated. The extension of its basic human capital model has been taken recently to study training results, academic subsidies and fee charge. Within the development and economic growth, the importance of education in the form of an economic variable is also a specific history, which has started from Lewis (1962). Questions about the proper mix of skill, should be emphasized on what type of education, the ability to absorb educated workers in education and productivity employment have all been studied outside the confines of a formal model. However, it should be emphasized that economic growth and economic development are not the same thing. Economic growth is a component, although there is very important one component in the process of economic development. This significant difference has been painted by the UNDP by the construction of the human development index. This index has achieved industry benchmark status when discussing non-GDP contribution to economic development. In India, perhaps compared to many developing countries, non GDP dimensions have a lot of importance. Comprehensive scale and diversity mean that the development process has been force to deal with the issue of inequality and exclusion scale in multi-functional scale. Most developing countries have had the emphasis on poverty reduction, gender discrimination, infant mortality, literacy, child labor, income inequality etc. as part of their development agenda. There are additional factors in India that affect the development procedure and caste and untouchability, religion, language, most important names.

### **Conclusion**

The general consensus of the empirical literature seems to be that the rates of return are in fact (inverted) U shaped which are the biggest for secondary education. However, all the rates of return in education are more in those areas where development is low. A clearly contradictory conclusion is that the return rate in primary education is significantly low, but in development regression, it is the primary education variable which has the largest positive effect. This is the indicator of the possibility that Lucas type is the external in primary education. Private's rates of the return are less than the social rates of the return, if this estimate is correct and testing using **the** interstate data, it has profound effect on public policy. It appears that there is no similar effect for women where high private return rate is already reflected in higher growth rates from educating women. The risks of further expansion of higher education have also been documented. Similarly, the policy of investing in educating "backward castes" without competing changes in labor market policy has proven to be adversely. Despite the fact that from a narrow earning perspective, there appears to be no difference between personal and socioeconomic return for woman, the developmental returns from increasing women's education appear too bigger.

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