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## Impact of Human Capital Formation on Development: Women Education as an Investment

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### **Abstract:**

*In Pakistan this study looks at the economic expansion through human capital formation. The study shows that for the increase in economic growth health education enrollment and physical capital are important. Women empowerment is one of the most questionable subject in the development circles at the present time. In reality the development of every society basis on success of its educational system and the most excellent educational system is that which give the same chance of receiving education to all its members. Female education plays an extremely central and important job in the development of nation especially in economic development of a country.*

**Keywords:** Human capital, economic development, enrollment index, female education

### **1. Introduction**

Human Capital shows an important part in both neoclassical and endogenous growth models (Mankiw, Romer and Weil, 1992; Rebelo, 1991; Sianesi and Van Reenen, 2003).

In Pakistan which is an underdeveloped country, a vast ratio of population is living under the national poverty line. It is generally said that by economic growth, Poverty and unemployment can be cut back but the situation is different in case of Pakistan. In Pakistan, the poverty cannot be decreases through only economic growth. It is must to advance all gauges of economic growth.

It is examined that capital and natural resources are the slow aspects whereas human capital is a dynamic issue of production. Human capital can raise capital and increase social and economic organizations. If abilities of human beings cannot increase, anything for economic growth cannot extend. It is obvious that if we would like to use other resources efficiently then we have to develop the ability of our human beings in the course of knowledge, ability development and by quality development employment and economic growth can be increases.

Both economic growth and Human capital are interconnected to one another for some added foundation. In addition for the government it is compulsory to use up extra expanses on health and education sectors. Usually the thought of Human Capital is used for education, skill development, health and other capacities of people that can improve their productivity and efficiency (Todaro, 2002).

The human resource development is one of the vital situation for economic growth (Harbinson and Myers, 1964). The common idea that investment in human beings results in increased economic growth is very older and goes back to the time of Adam Smith (1776). The classical school of thought's economists also emphasized upon the investment in human beings.

Later the foundation of Pakistan in 1947, the government passed its concentration in Pakistan to increase physical and human capital. In history first time, the Prime Minister of Pakistan, Zulfikar Ali Bhutto passed notice to the education sector and also to the manpower development. Thus, he decided to nationalize different parts of economy together with education. He tried to provide free education for all the people of Pakistan.

Human Capital formation has a central part for the growth of society. In Pakistan this condition is very serious that in spite of momentous progress, the human capital gauges are not pleasing. In Pakistan for human development all economic gauges are very low i.e. learning rate, admission rate at school level, services of health and clean water etc. In past period, Human capital sector has unnoticed by the administration, whereas all the consideration of administration remained in the investment in physical capital only. Thus to challenge this problem we examined the effect of investment in Human capital on economic growth in Pakistan.

Women show a same part as male in the family. In fact for economic progress they are an important part outside and inside of their homes, in the informal and formal sectors, in the urban and rural regions. In current times, the requirement to make available greater education and health facilities to girls has enhanced as a result of convergence of many contributing factors (Jahan, 1996).

Education and health are two main foundations of human capital formation, which has a straight and positive impact on female's lifetime earnings (Becker, 1962; Mincer, 1974).

## 2. Objectives of the Study

This Study is based on following goals:

- i. The role of human capital formation on the development of economy.
- ii. To determine the role of women education on economic progress in Pakistan.
- iii. To observe the relationship among women education and growth rate of the economy.

## 3. Literature Review

(Abbas, 2008) explored the correlation between economic growth and human capital by aggregate time series data in Pakistan. It is assessed by the use of Johansen (1991) approach, fitted model showed the human capital's serious role in improving size of the economy to engross technical progress of the world. Greater return might be expected to increase by higher quality education. It had concluded that quick labor growth was not coordinated by the increase of secondary education, so that the educated labor force's proportion had declined.

(Parveen, 2008) studied the role of ladies in national development by the observations of women futuristic and for the development of condition essential measures had been recommended. Indeed the usefulness of education system influences the improvement of any society mainly and the superlative education system had been that provided an equal chance to all its members to get an education. In the national development female literacy played a dynamic and important role. But in Pakistan, the status and standard of female's education had been lowermost. As of diverse socio-cultural, economic causes and gender biases thousands of girls had been deprived of education otherwise, bright and talented enough to get an education. Because of this case woman had not been capable to play dynamic role in society's development.

(Faridi, Chaudhary and Anwar, 2009) examined that female labor force participation had been affected by several demographic and socioeconomic factors. It had been based on cross sectional data together by primary data. The determinants of female labor force participation had been estimated through logistic regression technique. Increasing level of education had used to raise the female labor force participation. It had been determined that for the better employment opportunity female education is necessary. It had been suggested that the Government should arrange for advanced education to women and to advance the quality of education.

(Faridi, Malik and Basit, 2009) studied the role of education in human capital formation. To determine the influence of female labor force participation had been the important resolution of the study. Data had collected about education related variables, numerous education levels, closed comparative educational status by primary survey. Two steps of the analysis. Firstly, the primary analysis of data. Second, through Logistic Regression model an econometric analysis. The positive trend between the female labor force participation and education had been observed by the outcomes of primary analysis. Logistic regression equation showed that, except a basic level of education all education levels had a progressive an important influence on female labor force participation. Thus it had been suggested that by educating equally females and males growth objectives could be achieved

(Chaudhry, Faridi and Anjum, 2010) analyzed the female earnings by the effects of several variables of health and education. Since 1960, the role of education and economics of education in economic growth and development had become the noticeable matter for research and argument. It had been centered on primary source of data, a sample of female 100 from urban and 100 from rural areas had been selected. For analysis, descriptive analysis and OLS techniques had been used. For empirical estimation logs linear model had used. It concluded, that the impact on female earning for health and education had been significant and optimistic. It had been recommended that to make available good health facilities and education for females. So that female would able to contribute in household income and to decrease level of poverty.

(Ali, Chaudhary and Farooq, 2012) Examined the influence of human capital formation in Pakistan's economic progress with the help of secondary data. It had examined that in Pakistan to increase the economic development physical capital human capital and health are essential. It had been concluded by the model, that a progressive effect on gross domestic product of the increase in education enrollment index, Gini coefficient, gross fixed capital formation.

(Chaudhary, Nousheen and Lodhi, 2012) discussed that most arguable topic currently in development sphere is women empowerment. The women empowerment topic had faced innovative trials in Pakistan as an Islamic and independent state. With the help of regression analysis grounded on primary data from Southern Punjab's region, the misunderstanding that as a religion Islam obstructs the mode of women empowerment had been removed. It had been concluded that full women's rights warranted in Islam.

(Dr. Rashid and Mukhtar, 2012) had explored and reported the issues being challenged by the Pakistan's education system and they proposed the solution of these issues. It is fact that education brought about a change in social, political, and cultural set-up of the country. Conversely the change remained slow but it had a large impact on the society. It had brought about perfections in the organizational problem solving by the use of design, structural equipment, globalized needs and quality and quality based systems. In Pakistan now it got realized that Millennium development goals should be attained.

(Rauf, Ahmed, Salam, Rashid and Rehmen, 2013) examined primary education system issues in Pakistan. On the base of meaningful and key learning into the literature, the study formed that primary education had been neglected mostly, badly sponsored and badly succeeded. The system of administration had been so pathetic and successive education policies had been failed to bring any progressive in the education system because of bad performance. The syllabus of primary education had obsoleted. By this reading it had been suggested that the issues can be resolved by a strong system of accountability, removal of dishonesty, excellence syllabus, and teacher inspiration.

Results about Literacy rate showed that Pakistan has less than 50% literacy rate. Out of this male literacy rate had been observed 68% and female only 57%. It had been revealed by the study of primary education that in the whole education system it had been neglected mostly.

(Afzal, Malik, Ishtar Begum, Sarwar and Fatima) investigated that education is a crucial to the process of economic growth. Education had been a multidimensional procedural, on one side through an increase in the level of productivity it caused to reduce poverty, while on the other hand it caused to increase economic growth. Time series data had been used on poverty, education, economic growth and physical capital. Auto Regressive Distributed Lag Approach (ARDL) model's outcomes approved that optimistic and important effect had been found on economic growth of physical capital both in short run and long run. Todo Yamamoto Augmented Granger Causality (TYAGC) had been used to examine the (LR) and (SR) correlation among variables. The results confirmed that between education, poverty, economic growth and physical capital LR Relation happened, and all these variables functioned as the dependent variable. Only in LR education affected Real GDP positively and meaningfully. It had been concluded, In Pakistan, for Reduction in poverty and enhancing in economic growth, better education could be an operative instrument.

#### 4. Research and Methodology

##### 4.1. Role of Women Education

It has truly been revealed that the societies cannot value economically which maintain gender inequalities. To attain economic objectives, For Pakistan it will be necessary to make complete use of all citizens. Provide increased educational opportunities for women and girls to contribute more fully to society, both in civic and economic sense. As education will provide confidence to girls. For fully participation in economic growth of society personal confidence is an important element.

In Pakistan gender gap is a common issue, during their childhood boys being appreciated above girls in all esteems.(UNICEF 2006; United Nations 2000a; Haque 2002).

There are some suggestions that women are empowered to add in society at significant and extensive ways:

- Women who are educated; their views are increasingly respected, which means that they are able to make contribution in society.
- At societal and community level increasing girls' access to education will plays a greater role.
- Higher education empowers women to have an influence at several stages. It changes their lives, but it likewise assistances their large family, friends and the entire civic.

##### 4.2. Access of women for Higher Education

Educational inequality remains one of the major contraventions of the rights of women and an important barrier to social and economic development (UNESCO 2003).

From the study, data illustrates that there is gender discrimination occurs with regard to establishment for educational opportunities within the families. Results of survey shows that for the education of daughter and sons parents do not spend equal amount of money. The study shows that participation in higher education brings several advantages for women.

##### 4.3. Enrollment in Education sector by Type, Level and Sex

A data of education system in Pakistan has been obtained from Pakistan Bureau of Statistics from year 1999 to 2009.

Enrollment of students in education at primary, middle and secondary level by sex can be describe as follows in table. The table indicates that enrollment in secondary schools is very low. But from 1999 to 2009 some improvements are achieved in this aspects as it has been shown in table that enrollment of students increases with the passage of time. Female literacy rate also increases from 1999 to 2009. Now some more improvements are needed to promote education system as it plays a crucial role in the growth rate of an economy.

Years	Total female in Primary Schools	Total female in Middle Schools	Total female in Secondary Schools
1999-00	7044	1615	670
2000-01	6893	1706	689
2001-02	7167	1508	659
2002-03	7519	1551	677
2003-04	8179	1737	732
2004-05	9833	1885	809
2005-06	11209	2191	945
2006-07	11523	2264	1003
2007-08	11672	2270	1058
2008-09	11894	2298	1100

Table 1: Data Related to Enrollment of Females at Different Levels

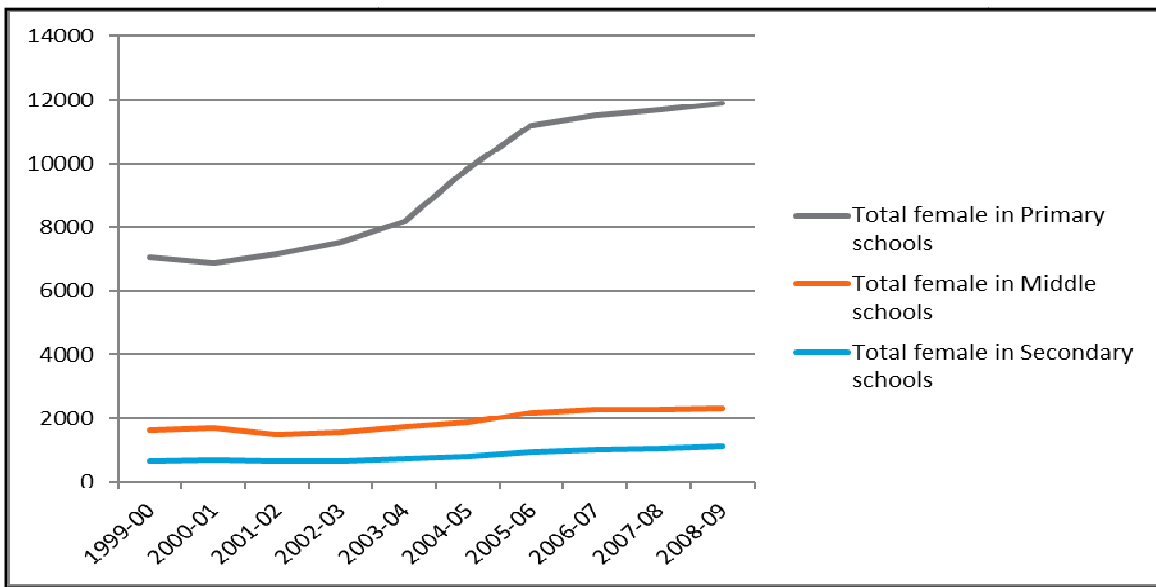


Figure 1

4.4. Literacy Trend in Pakistan by Age, Level, Kind and Sex

The literacy results has fluctuated unevenly during the last ten censuses. The trend of Pakistan’s literacy rate has been shown with the help of table from 1951 to 2009. It can be observed that from 1951 to 2009 positive changes in education sector occurred. Male and female’s education level increase.

Years of census	Male	Total	Female	Age Groups
1951	19.20%	16.40%	12.20%	All Ages
1961	26.90%	16.30%	8.20%	Age 5 And Above
1972	30.20%	21.70%	11.60%	Age 10 and above
1981	35.10%	26.20%	16.00%	Age 10 and above
1998	54.80%	43.90%	32.00%	Age 10 and above
2004	66.25%	54%	41.75%	Age 10 and above
2009	69%	57%	45%	Age 10 and above

Table 2

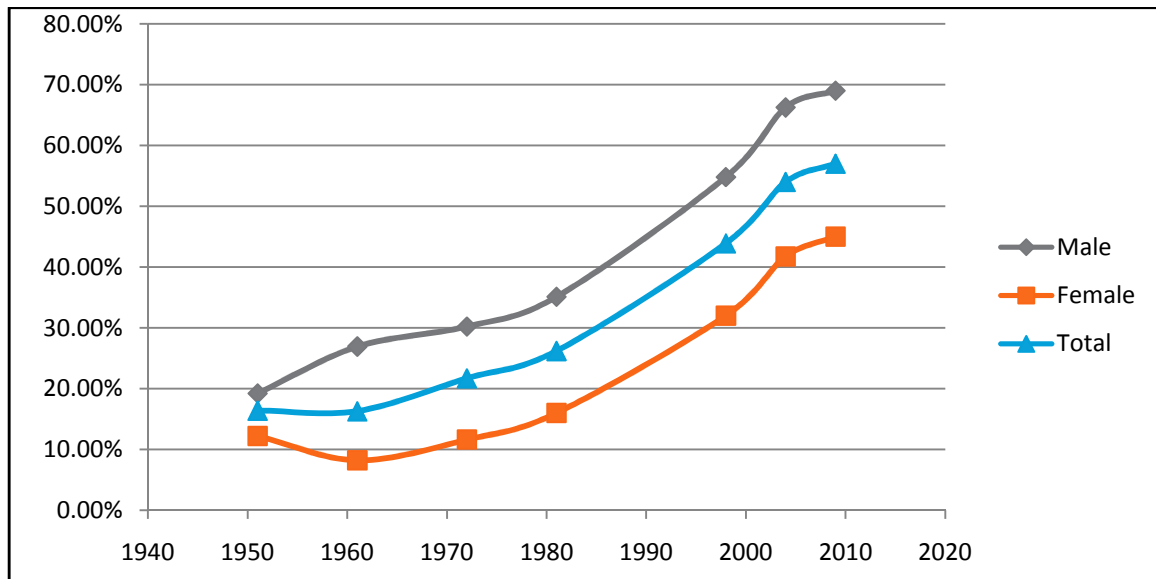


Figure 2

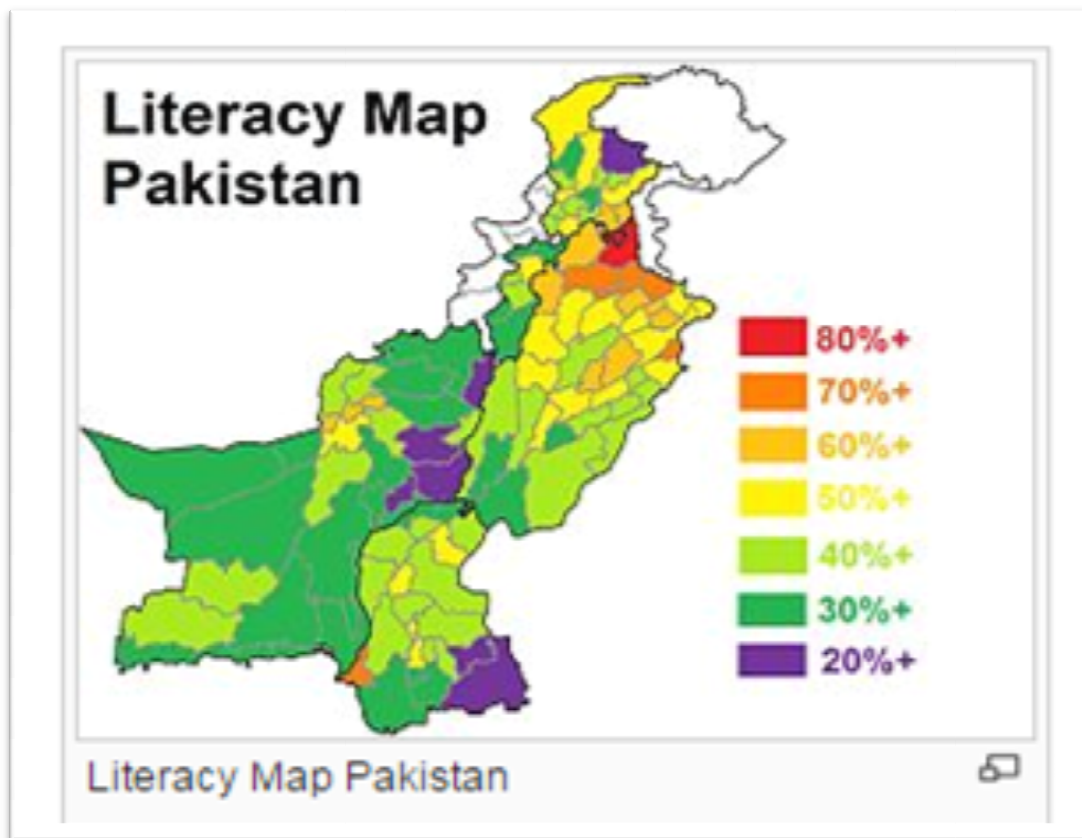


Figure 3

#### 4.5. Economic Benefits of Women Education

For the development of human society education has a significant role. Education is very much related to capability of women to form social relations on the base of equivalence with others and to attain the central social good of self-respect. In politics education can permit women to contribute so that they can be capable to show that their voices are heard and report in public policy. Education is crucial for country's economic growth and human resource development. The output and effectiveness of any person can be rise by education and skilled labor force also can be produce by education, which is capable of leading the economy towards maintainable economic growth. The happiness and advancement of a country is mainly depends on the education. Education assists development of mind, it is a training in rational and critical thinking. Moreover, increase self-esteem and within a community it can advance financial and social status. Thus,

- Pakistan can attain social and human development and also gender equality by encouraging education among women. A large number of empirical studies has shown that increase in women's education has increase their wages and as compare to men, return to women education is frequently higher.
- Human development outcomes such as child survival, education and health can be enriched by female education.
- Lower average level of human capital is achieved by lower female education which leads negative impacts in economic growth.
- Developmental economist argues that in developing countries female education reduces the fertility, infant mortality and increase the education of children.
- Economic growth openly and meaningfully affected by gender inequality.
- Empirical studies reveal the fact that overall literacy rate enrollment ratio and ratio of male to female education shows a positive and significant impact on economic growth.

#### 4.6. Millennium Development Goals (1990-2018)

Government of Pakistan is currently spending on education sector 2.1 percent of its GDP and is fully committed to enhance education spending from 2.1 percent of GDP to 4.0 percent of GDP by 2018.

- MTDF: Medium term Development Framework,
- MDGs: Millennium Development Goals,

INDICATORS	1990-91	2000-01	2004-05	MTDF Targets 2009-10	MDGs Targets 2015
Literacy Rate up to Grade 5 (%)	50%	68%(M:72, F:65)	72%	80%	100%
Adult literacy rate (%)	36.30%	50%(M:63,F:38)	56%(M:62, F:44)	77%(M:85,F:65)	88%(M:89, F87)

Table 3: Millennium Development Goals and indicator related to women

INDICATORS	1990-91	2000-01	2004-05	MTDF Targets 2009-10	MDGs Targets 2015
GPI	Primary:0.51, secondary :0.50, Teritary: 0.46	Primary:57, Secondary:64, Teritary: 0.78	Promary:0.8,secondary: 0.72	Primary:0.94,Secondary: 0.90	Primary:1.00, Secondary:0.94,
Youth Literacy GPI	0.51	0.65	0.66	0.8	1
Share of women in wage employment	8.70%	8.90%	10%	12%	14%

Table 4: Eliminate Gender Disparity in Primary and Secondary Education by 2005 and all levels of Education no later than 2015

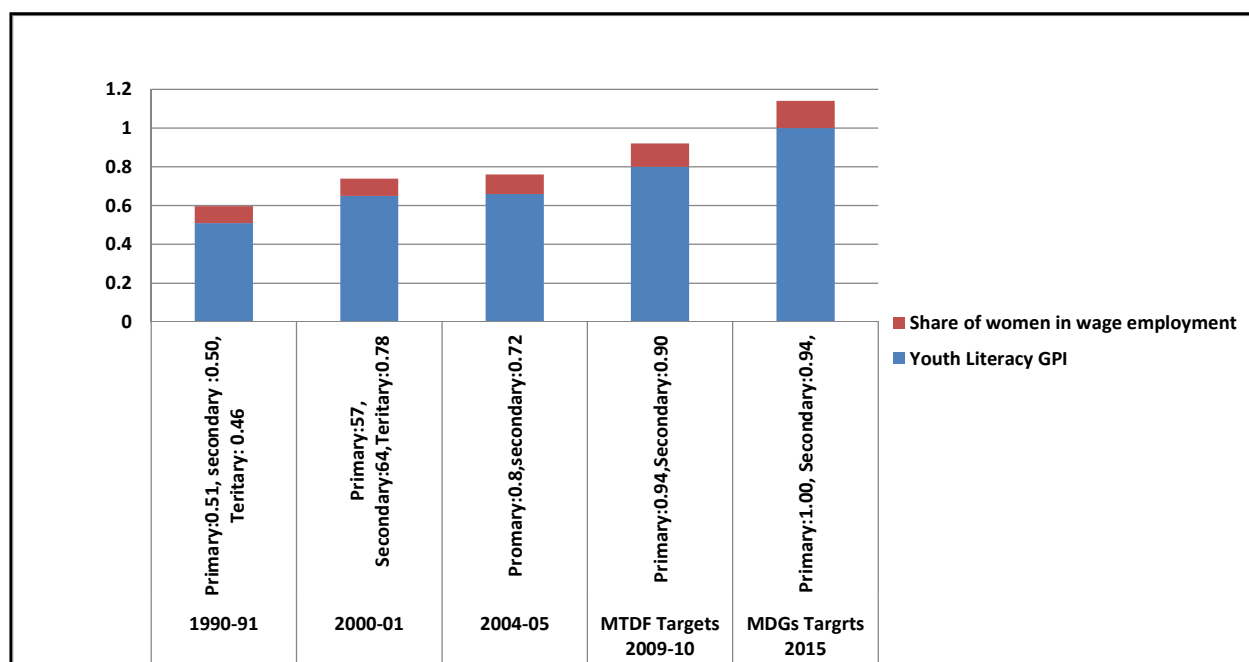


Figure 4: GPI: Gender parity Index

This table indicates that from 1990 to 2010 positive impacts on education sector have been observed. Government of Pakistan make a plan to increase education from grade 1 to 5 100% in year 2015 and to increase adult literacy rate 88%. With the passage of time education level is improving. It is also the goal of Government to eliminate gender inequality in education sector so that to provide same level of education to both male and female.

#### 4.7. Public Spending on Education-Total (% of GDP) Pakistan (1967-2015)

From year 1967 to 2015, Government spending on education sector has been increases with the increase of importance of education sector in economic growth of country. Public spending on education sector was measured 2.49% of GDP in 2013. currently spending on education sector has been measured which is 2.1% of its GDP. Now government of Pakistan has decided to spend 4% of its GDP on education sector in 2018.

### 5. Conclusion and Recommendations

It has concluded that the duty of the expansion of female education is huge. For the purpose to advance education of female, as a major and elementary phase, it is crucial to alternate or develop the attitude of the individuals on the way to educational and social status of female.

Beside as a nation we improve our system of education in general and female education in particular, the vision of an educated, powerful and successful Pakistan will remain unfulfilled.

#### 5.1. Some Recommendations Are Stated as Follows

- i. More attention should be given to training and skill development of human capital to increase the economic growth.
- ii. It is recommended that further education services should be delivered particularly in the study area and generally in Pakistan.
- iii. It is recommended that by educating both females and males development goals can be achieved.
- iv. The education up-to secondary level should be compulsory for female. On the other hand Government should provide education to those female who want to get education but their circumstances don't allow them.
- v. Education enhancing strategies must be adopted in order to accelerate economic growth of the country.

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