

MANIDHANAHEYAM FREE IAS ACADEMY – TNPSC GROUP II & IIA
UNIT - III

Linkage between Education and Economic Growth

1. Importance of Education

Stability

The importance of education in our life provides stability in our daily life. You must be heard that everything can be divided but your education can't. With the help of your degree and knowledge, you can increase the chances to make your career better than others.

Financial security

Education helps us with our financial security. In this era, the person with higher qualifications gets higher paid jobs which helps him to secure his future.

Self-dependency

Education makes us self-dependence in our life. The education done by a person belongs to him only and with the help of this the person can feel secure and self-dependence.

Freedom to choose any field

A person can choose any field for him during the study. A student has the freedom that he can choose any field in which he wants to make his career. There are lots of fields like an **advocate**, engineer, doctor etc.

More employment opportunities

In the present time, it is the hardest task to find a job. A person has to compete with thousands of candidates for a job. Lower the education level is directly proportional to greater than the number of candidates for the job. Also if you are applying for lower-level education jobs, there will be low paying jobs. But if a person has good qualifications and educational background, he can increase his chances to get the dream job.

High income

People with a good educational background have the chance to take the job which will pay them higher than other jobs. The jobs which pay the person higher income needs higher education. The higher income of a person fulfils all his goals.

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Fulfil dreams

No person in this universe does not have any dreams which he wants to be fulfilled. Education is one of the important elements to fulfil your dreams. So, if you want to make your dreams come true, education is a must in your life.

Equality

Every person has the right to equality. If every person got the opportunity to take higher education, there are more chances that every person will earn much amount of money, and then there would be fewer gaps between the classes of persons. It helps in the matter of equality.

Development of problem-solving skills

It is the best benefit of the education that it teaches us to make decisions even in a critical condition with logical thinking. When a student becomes an adult, he faces many problems every day in his life. An educated person can tackle the situation easily as compared to an illiterate person.

Confidence

One of the best parts of being a successful person is our confidence. Education builds confidence in the person. You can discuss more a topic which is already known to you. You can talk about that topic much better than others with the knowledge which you have gained from your education.

The benefit to the society

An educated person gives his valuable time to stabilize society by taking part in different projects. Every work done in a country helps its people to grow more and more. It means a person who is doing different projects in his life is also helping his nation and society.

Connection with other countries

Digital education in our life helps us to connect with people from other countries. With the help of digital education now we can share our ideas and opinions with people from different countries and cultures. It makes our circle bigger by which we can take the different opinions from different people and it empowers **unity in diversity**.

Use of modern technology

An educated person can use modern technology without any problem. The use of mobile phones is one of the best examples by which we can search and do

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different tasks while sitting in a place. We can do an **E-contract** with people who are sitting in different places. Websites like Amazon, Flipkart etc are more helpful in today's time because we can order anything we like on such websites. But an uneducated person cannot use such types of things properly.

Equal opportunities for all

The importance of education in society is very important because educated people are treated equally on the basis of their knowledge. There is no discrimination depending upon the caste race gender religion etc.

The economic growth of the Nation

An educated society is a reason for the economic growth of a country. With the more education rate in a country, there will be more opportunities for jobs or employment.

2. Relationship between education and economic development

Economists considered physical capital to be the most significant component affecting economic growth, proposing that the rate of physical capital formation in developing nations be raised to expedite the process of economic growth and boost people's living standards. However, economic research over the last three decades has demonstrated the relevance of education as a critical determinant in economic development. The development of human abilities and knowledge of the population or labor force is referred to as education.

The key to economic progress is not only the numeric increase of educational possibilities but also the qualitative enhancement of the sort of education provided to the labor force. Education has been referred to as human capital due to its substantial contribution to economic growth, and public expenditure on education has been referred to as an investment in man or human capital.

Education and Economic Growth

Several empirical studies conducted in developed countries, on the sources of growth, or, in other words, the contributions made by various factors such as physical capital, man-hours (i.e., physical labor), education, and so on, have revealed that education or the development of human capital is a significant source of economic growth.

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Rate of Return Technique

The rate of return approach has also been used to assess the contribution of education to economic growth. The rate of return in this technique is determined by individual education spending and the flow of a person's future earnings predicted to emerge from schooling.

It should be noted that estimations of the rate of return on education investment are based on private rates of return to persons obtaining an education. However, because disparities in incomes in a market economy reflect inequalities in productivity, the rate of return on education investment is assumed to be the influence of education on the country's production.

Expenditure on Education and Income

Another method for calculating education's contribution is to examine the link between education spending and income. Using this method, the link between education spending and consumer income, as well as the relationship between education spending and physical capital production He discovered that “the resources dedicated to education climbed nearly three and a half times (a) relative to consumer income (b) compared to the gross production of physical capital

Education's Consumption Advantages

We have already discussed the investment benefits of education, as well as its influence on productivity and national production. However, investment rewards are not the only ones that come from education. Education also has consumption advantages for the individual since it allows him to “enjoy” more education and get more enjoyment from his current and future personal life.

If the welfare of society is dependent on the welfare of its individual members, then the welfare of society as a whole benefit from the higher consumption advantages of people who receive more education. Economic theory can also help us estimate the consumption advantages of education.

External Benefits of Education

We have already discussed the investment and consumption benefits of more education for both individuals and society. The benefit analysis was founded on the assumption that individuals' private interests are congruent with the societal good.

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Education, Inequality, and Poverty

An assessment of the function of education in economic development must consider not just its influence on production growth, but also its impact on the structure and pattern of economic development, as well as on income distribution and poverty alleviation.

The fact that poor children and boys are unable to complete their secondary education, combined with large income or wage disparities between different people of different levels of education, explains why education in developing economies tends to increase income inequalities and perpetuate poverty rather than help to reduce it.

What function does education play in economic development?

As follows, education has an important influence on economic development:

- Education enhances people's access to current and scientific concepts.
- It improves people's efficiency and capacity to absorb new technologies.
- It raises knowledge of potential possibilities and labor mobility.
- Education helps people obtain information, skills, and attitudes that will allow them to grasp societal changes and scientific advances.
- Education investment is one of the primary sources of human capital that enables inventions and discoveries.
- A country's ability to adopt sophisticated technologies is aided by a well-educated labour population.