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INTRODUCTION

Education is the supreme form of wealth and is the fulcrum of every kind of development. It is the process of human enrichment for the achievement of higher and better quality of life. It transforms the raw human beings into human resources, otherwise known as human capital and prepares them to be capable of utilizing the resources economically. Education is an asset having high economic and non-economic returns. It is a means of social improvement and material well being, especially for the economically and socially backward people. It provides them the capacity of acquiring new skills and develops in them the right attitude to wealth, savings and work. Education determines a country’s level of prosperity, welfare and security of the people. Thus education has been deemed as the key input to the development of the individual as well as the society. These ideas are embodied in the ancient and modern literature. The Vedas, Upanishads, Puranas, Nitishastras, Mahakavyas, Dharmashastra, Panchatantras, and Kautilya’s Arthasastra, describe education and knowledge as the supreme form of assets.

Education is the cornerstone of economic, social and cultural development of any country. It has emerged as the most important single input in promoting human resource development, in achieving rapid economic development and technological progress and in creating a social order based on the virtues of freedom, social justice and equal opportunities in the country.
Education is the principal instrument in awakening the child to cultural values. As an investment, education gives individuals qualifications which help them to earn a living. Education is a powerful tool to harness the available resources and contribute to the Gross National Product and thus to Per Capita Income. Dreze and Sen (2002) deem education and health as important enabling factors to enhance development. The United Nations Development Council (1990) has very pragmatically incorporated literacy and years of schooling as the major components of the Human Development Index.

1.1 CONTEXTUAL BACKGROUND OF THE PROBLEM

Almost all countries of the world are development conscious. ‘Less developed countries which have been poor and stagnant for centuries are in a state of revolt against poverty, disease, ignorance and dominance by stronger nations, and they are no longer disposed to entrust their future exclusively to the forces of the market, the whim of nature or the judgment of colonial rulers. Advanced countries likewise are committed to growth, and the more rapid and spectacular the better. Their aspirations, indeed, are no longer earthbound, but extend as well to the exploration of outer space and possibly even other planets. This almost universal quest for forward movement is in essence a revolution, which has no precedent in history. It is fired by rising aspirations for economic, social and political progress, and is based upon the optimistic conviction that man, in this century of science, can move forward by leaps instead of steps’ (Harbison and Myers, 1965). This consciousness of development by the nations of the world termed ‘revolution’ by Harbison
and Myers has become the popular slogan of the countries during the last five decades.

Education is the prime mover to economic growth, particularly in the context of rapidly globalizing world economy. Only societies that have acquired relevant knowledge and skills can compete successfully in global markets. This has been the experience of Japan, South Korea, Hong Kong, Singapore, Malaysia, Thailand, Indonesia and China. By combining their low wages with relevant education and skills, they converted their poverty into an asset and took over the global markets by raising labour productivity. Thus countries that are educationally advanced enjoy better standards of living. In other words the economic strength of a wise nation is reflected in its educational institutions. Thus education is a cornerstone of economic growth and social development and a principal means of imparting the welfare of individuals.

1.1.1 INVESTMENT IN EDUCATION: GLOBAL PERSPECTIVE

The productive capacity of a nation depends not only on its capital, natural resources, industrial plants, machine tools, foreign aid and international trade but also on the level and types of education and training embodied in its labour force. The learned labour force with its ‘creative spark’ will take the process of development to greater heights. Education has been receiving wide recognition around the world as a key element of the developmental process. The slogan of modern world is development through education. Development of education is an important item on the agenda of almost all countries of the world. Modern education systems have been established almost everywhere in the 20th century. The educational interests,
aspirations and efforts of the countries of the world got boost with the human investment revolution in economic thought, initiated by Theodore Schultz through his Presidential Address to the American Economic Association in 1960 (Schulz, 1961). The human capital theory, according to which human capital is an important factor of growth, comparable to the conventional physical capital, also created hopes among the capital (physical) scarce developing countries that an investment in human capital would lead to economic growth. They would be able to reach the levels of economic growth of the advanced countries, if they were to invest in human capital. Accordingly heavy investments were made by the developing countries.

The ‘Human Investment Revolution’ in economic thought has spread to most parts of the world and a global educational miracle has taken place during the second half of the 20th century. The educational explosion in terms of number of institutions, enrolment, number of teachers and public expenditure has been phenomenal. The massive expansion of education has also contributed significantly to socio-economic development of the countries in the region.

At the dawn of the 21st century many education systems are at cross roads. A number of far-reaching changes could be noted in different economies of the world. The most notable among them is the wave of globalization. It is generally felt that it may neither be feasible nor desirable now for a country to remain outside the truly global phenomenon of globalization. Globalization is regarded both as a threat and an opportunity. The strong wave of globalization sweeps all-over the world. Globalization
involves changes in development paradigms from social welfare, equity and nation state philosophy to one that emphasizes economic efficiency, market economy, a weak state and global economy. Education sector is also affected by the global wave of globalization, as the policies targeted towards macro economic adjustment have touched almost all the sectors of the economies. As a result there has been a significant change in the national and international perspectives on education and approaches and attitudes to education have begun to change.

The second major development relates to the revolution in information technology. Satellites, computers, internet and, telecommunications have spread all over, providing more and more avenues for rapid dissemination of information and influencing various dimensions of life-economic, social, psychological and cultural. Technology might have become the single most important determinant of progress of nations in the 21st century. Inability to use, master and adapt modern technology in developing counties might have widened the disparities between the rich and the poor countries and within countries between the advanced and backward regions and between the rich and the poor people. Spread of information technology, including internet facilities, fax and telecommunications might also increase the thirst for knowledge and information, which would have far-reaching implications for education. Even predominantly illiterate societies have begun to think of universal computer literacy rather than mere literacy as an essential pre-requisite for development. This would ultimately necessitate revolutionary changes in the education systems.
New paradigms of educational development are emerging, and are getting socially approved. Many countries of the world are engulfed with a series of educational reforms, involving drastic changes in public policies, adoption of new methodologies of planning and management, and search for non-conventional mechanisms of funding education. Some have already made sweeping changes in their policies. Demographic changes on the one hand, and globalization and revolution in communications and information technology on the other necessitate a serious look into the need for non-traditional methods of providing education. At the same time the critical importance of education in development is increasingly acknowledged. The increasing demand for education and the recognition of education as a strategic factor for development have drawn the attention of economists all over the world.

1.1.2 INDIAN SCENARIO

Human resource development has been assigned a key role in India’s development strategy. India began its dream of march towards the goal of universal and free basic education little more than sixty years ago. The Indian constitution envisaged to provide free and compulsory education for all children within ten years until they complete the age of fourteen years.

The effort to meet this solemn commitment began without delay. Many hurdles have been surmounted and milestones achieved during the past sixty years. However it still falls short of meeting the target of ‘Education for All’ (Govinda, 2002). The National Policy on Education (1986) as revised in 1992 in fact aims at Universalisation of Elementary Education (UEE) popularly known as Sarva Shiksha Abhiyan (SSA). As a
result, today for 94 per cent of rural population there is a primary school within a distance of one kilometer and for 84 per cent of the rural population there is a UP school within a distance of three kilometers.

Education as a very important factor in the development process has been well recognized by educational planners, economists and development planners in India. After Independence the first Prime Minister of India, Jawaharlal Nehru, attached highest priority to mass education and proclaimed that our first plan must be for universal education, every thing else, whether it is industry, agriculture, or anything else which is important for us will grow adequately. Emphasizing the role of literacy in development, Rao (1966) opined that ‘the essential condition for economic development is the creation of mass literacy and mass education which in turn are the essentials and fundamentals of science, technology and logic.

The Education Commissions in India highlighted the role of education for national prosperity. Four decades ago, the Indian Education Commission (1966) noted ‘the destiny of India is now being shaped in her class rooms’. Realizing the importance of education for rapid economic development, the Secondary Education Commission (1953) observed that ‘the aim of secondary education is to train the youth of the country to be good citizens, who will be competent to play their part efficiently in the social reconstruction and economic development of their country’. The Indian Education Commission Report (1964-66) entitled ‘Education and National Development’ reads, ‘In a world based on science and technology, it is education that determines the level of prosperity, welfare and security of the people. On the quality and number of people passing out of our schools and
colleges will depend our success in the great enterprise of national reconstruction whose principal objective is to raise the standards of living of our people.'

There has been a great deal of accomplishment in the field of education after the attainment of independence. Over the decades, considerable progress has been achieved in terms of literacy, school enrolment, and network of schools and spread of institutions of higher education including technical and professional education. The literacy rate has gone up from 18.3 per cent in 1951 to 65.38 per cent in 2001.

While only 14 per cent of Indians were literate at the time of India’s Independence, consistent efforts made by the country over the last five decades have resulted in nearly two thirds of the total population becoming literate. Today, three-fourths of men and more than half of women in the country are literates. The gender gap has been narrowing. While difference between the male and female literacy was 25 per cent in 1991, it has narrowed to 22 per cent in 2001. During the last fifty years the literacy rates and access to education improved considerably.

Realizing the importance of education in accelerating economic growth, increasing productivity, generation of technologies for development, the Five Year Plans in India have given a significant place to education, which is reflected through the expenditure on education during the plan periods. Allocation of money for education has increased significantly during the Plan periods. The Plan outlay on education has increased from Rs.151.20 crores in the First Five Year Plan to Rs.43,825 crores in the Tenth Five Year Plan. The allocation to education in the Eleventh Plan is
Rs.2,87,000 crore which is five times the allocation made in the Tenth Plan. This is also expected to constitute nearly 20 per cent of total plan expenditure, compared to 7.7 per cent in the Tenth Plan. This is considered as an unprecedented increase in financial support for education in India. Hence the Eleventh Plan is proclaimed as a National Educational Plan which recognizes education as the most important instrument for achieving rapid economic growth.

In India, the total expenditure on education incurred by the Union and State governments increased from Rs.67,000 crore in 2000-01 to Rs.1,33,000 crore in 2007-08, nearly two fold increase in a period of eight years. In India, financing of education at all levels is on the increase. There has been a significant increase in the Union Government’s budget expenditure on education. The total expenditure increased from Rs.7900 crore in 2000-01 to Rs.38,700 crore in 2008-09.

It is heartening to find India at the top in spending 4.1 per cent of GDP on education that is more than what China (3.6 per cent) and Srilanka (1.3 per cent) have spent. Even the richest Asian country, Japan, has spent only 3.6 per cent of GDP on education (World Development Report, 2004).

1.1.3 KERALA CONTEXT

Kerala is widely known for its educational attainments. The state has the unique distinction of having a literacy rate which is comparable to the most developed countries of the world. The literacy rate of the state which was only 47.18 per cent in 1951 almost doubled in 2001. According to 2001 census, the literacy rate of Kerala was 90.92 per cent against the all India
average of 65.38 per cent. The male and female literacy rate of the State was 94.2 per cent and 87.86 per cent respectively and are far above the corresponding national figures of 75.85 per cent and 54.16 per cent respectively. The expenditure on education increased from Rs.1058 crore in 1992-93 to Rs.5462 crore in 2007-08 (Economic Review, 2000 & 2007).

Kerala is almost at par with the most advanced countries of the world in the matter of literacy and education. In terms of Physical Quality Life Index (PQLI) and Human Development Index (HDI) the achievement of Kerala is far ahead of other states in India and comparable to those of the middle-income countries. Kerala has achieved universal literacy, reduced school dropout rates to extremely low levels and bridged the gender gap in school education almost entirely. The state has also succeeded in reducing inter-community and socio-economic differences in school enrolment. It has achieved the goal of universal, free school education envisioned in the constitution of India. The infrastructure created under District Primary Education Programme (DPEP), Sarva Shiksha Abhiyan (SSA) and involvement of local Governments has contributed to the improved facilities in schools.

Since Independence, especially after the formation of Kerala State in 1956, the progress made in the State with regard to education has been rapid and appreciable. The Government of Kerala spends huge amounts for the expansion of education. The total amount spent on education is estimated at Rs.3138 crore in 2003-04, which is around 3.5 per cent of State Domestic Product (SDP). There is remarkable increase at the primary and secondary stages of education.
1.2 NEED AND SIGNIFICANCE OF THE STUDY

Education is widely recognized as an important instrument for economic development. It raises the economic literacy of people which leads to the optimum utilization of resources. Educated people are capable of utilizing the benefits of modern science and technology. Education directly or indirectly contributes to improvement of the standard of living which ultimately results in the economic welfare of people.

Over the decades, considerable progress has been achieved in terms of literacy, school enrolment, network of schools and spread of higher education institutions including technical and professional education. Expenditure on education, both governmental and parental, is on the increase. But this rise in expenditures is justifiable, if it provides higher productivity in terms of higher earnings and security to households.

Many economists believe that there exists a positive relationship between education and earnings of individuals irrespective of the sector of employment. But there exists alternate views among economists and educationists regarding the contribution of education to earnings. This broken relationship demands further investigation. Also the influence of the factors like locality, gender, community, occupation, economic background of the household etc., on earnings of people also require special attention.

Attempts were made by scholars at the macro and micro levels to analyse the relation between education and economic growth. These studies are not feasible to give a comprehensive view on the relation between these variables. The attempt of the investigator is to present a true picture on the
impact of education on the economic well-being of people using cross-sectional primary data. For this study Idukki District in the State of Kerala is chosen on well founded reasons.

In Kerala there is considerable inter-district disparity in the educational development. This is significant in spite of the efforts made by government and other agencies. Compared to other districts, Idukki experiences a varied status with respect to education and economic growth. Though it is educationally backward, in general, it maintains a high economic status.

The indicators of educational and economic development show that educationally advanced districts are economically advanced and vice versa, with a few exceptions. Considering the indicators Idukki is at the top in the economic field, but in education, it is lagging far behind. Taking one major indicator each of education (literacy) and economic growth (per capita income) Idukki ranks eleventh and second respectively among the 14 districts of Kerala. Hence the investigator found it appropriate to focus attention on this district with the twin phases of education and economic growth.

Idukki district has certain peculiar geographical, climatic and demographic features. The agricultural sector dominates the other sectors. Agriculture depends much on climatic factors, availability of labour, fertility of soil, irrigation, availability of seeds and manure, and finance. The district is rich in spices cultivation, tea, coffee, vegetables, fruits, and also rubber. These crops, no doubt, are the main strain of the district income. But they
are dependent on climatic factors and the sudden ebb and flow of price rates in the market.

When confronted by adverse situations either climatically or financially, the people of Idukki find that they can no more depend entirely on cultivation. They are in distress to find a proper solution to the problem or get financial assistance from their friends since every farmer, like them, is in financial crisis. In these circumstances a probe into the influence of education on the economic life of people in Idukki is of utmost importance.

Since agriculture is the major source of income of most of the households in Idukki, it has a direct bearing on the living conditions, which determine the economic welfare of households. Fluctuations in the agricultural sector lead to changes in other economic activities. They include changes in consumption, expenditure, production, distribution, saving and investment, variation in prices, wages, occupation, supply and demand for commodities and so on. The educational levels of people can also influence these factors. In this respect it is important to examine the role of education in the earnings of people and the economic welfare of households.

1.3 STATEMENT OF THE PROBLEM

The present study is designed to find out the relationship existing between education and economic growth of people in the educationally backward district of Idukki. Hence the study is entitled: “EDUCATION AND ECONOMIC GROWTH IN IDUKKI DISTRICT”.
1.4 OPERATIONAL DEFINITION OF KEY TERMS

The operational definition and meaning of the terms used in the study is presented below:

**Education**

The term ‘education’ is taken to mean the quantitative and qualitative growth in respect of formal education, which would help one to earn better and improve one’s living conditions.

**Economic Growth**

The term ‘economic growth’ is taken to mean an increase in earnings of people and economic welfare status of households.

**Idukki District**

One of the fourteen revenue districts in the state of Kerala formed on 26\(^{th}\) January 1972 as per government notification. No. 54131/C2/71/RD, dated 24\(^{th}\) January 1972. In the present study, the area constituting Idukki District is used as ‘Idukki’.

1.5 OBJECTIVES OF THE STUDY

1. To examine the Progress of Education in Idukki District
2. To examine the Economic Growth of Idukki District
3. To compare the educational status of the earning people in the sub samples based on Locality, Gender, Community, Occupation and Economic Welfare Status of the household.
4. To compare the earnings of the people in the sub samples based on Locality, Gender, Community, Occupation and Economic Welfare Status of the household.

5. To compare the Economic Welfare Status of households in the sub samples based on Locality and Community.

6. To find out the effect of education on the earnings of different educational categories of people in the total sample and sub samples based on Locality, Gender, Community, Occupation and Economic Welfare Status of the household.

7. To find out whether there exists any significant difference between the earnings of each educational category of people in the sub samples based on Locality, Gender, Community, Occupation and Economic Welfare Status of the household.

8. To find out the relationship between education and earnings of the people in the total sample and sub samples based on Locality, Gender, Community, Occupation and Economic Welfare Status of the household.

9. To find out whether there exists any significant difference in the relationship between education and earnings of people in the sub samples based on Locality, Gender, Community, Occupation and Economic Welfare Status of the household.

10. To find out the effect of education on the Economic Welfare Status of different educational categories of households in the total sample and sub-samples based on Locality and Community.
11. To find out whether there exists any significant difference between the Economic Welfare Status of each educational category of households in the sub samples based on Locality and Community.

12. To find out the relationship between education and Economic Welfare Status of households in the total sample and sub samples based on Locality and Community.

13. To find out whether there exists any significant difference in the relationship between education and Economic Welfare Status of households in the sub samples based on Locality and Community.

14. To analyse the issues related to the educational development of Idukki District.

1.6 HYPOTHESES FORMULATED FOR THE STUDY

1. There will be significant difference between the educational status of the earning people based on Locality, Gender, Community, Occupation and Economic Welfare Status of the household.

2. There will be significant difference between the earnings of people based on Locality, Gender, Community, Occupation and Economic Welfare Status of the household.

3. There will be significant difference between the Economic Welfare Status of households based on Locality and Community.

4. There will be significant difference between the earnings of different educational categories of people in the total sample and sub samples.
based on Locality, Gender, Community, Occupation and Economic Welfare Status of the household.

5. There will be significant difference between the earnings of each educational category of people in the sub samples based on Locality, Gender, Community, Occupation and Economic Welfare Status of the household.

6. There will be positive and significant relationship between education and earnings of the people in the total sample and sub samples based on Locality, Gender, Community, Occupation and Economic Welfare Status of the household.

7. There will be significant difference in the relationship between education and earnings of the people in the sub samples based on Locality, Gender, Community, Occupation and Economic Welfare Status of the household.

8. There will be significant difference between the Economic Welfare Status of different educational categories of households in the total sample and sub samples based on Locality and Community.

9. There will be significant difference between the Economic Welfare Status of each educational category of households in the sub samples based on Locality and Community.

10. There will be positive and significant relationship between education and Economic Welfare Status of households in the total sample and sub samples based on the Locality and Community.
11. There will be significant difference in the relationship between education and Economic Welfare Status of households in the sub samples based on Locality and Community.

### 1.7 METHODOLOGY IN BRIEF

The present investigation is aimed to study the role of education in the economic growth of Idukki district. The investigator adopted Normative Survey Method and Historical Method for the study. To fulfill the objectives of the study relevant data were collected both from primary and secondary sources. To review the educational and economic growth of Idukki district the investigator used secondary data, collected mainly from government documents. In order to study the impact of education on the economic growth of people, primary data were collected from the households.

Population of the present study is the total number of households in the Idukki district, a representative sample of 1500 households was drawn from the district, employing the Stratified Random Sampling procedure. The tools used for collecting primary data were (i) Documents, (ii) Questionnaire, (iii) Economic Welfare Status Scale and (iv) Interview.

As the study was designed to find out the relationship between education and economic growth of people, education is taken as independent variable and economic growth revealed through individual earnings and Economic Welfare Status of households is taken as dependent variable. In analyzing the relationship educational levels of only the earning members were taken into consideration.
The relationship between education and earnings of people classified on the basis of Locality, Gender, Community, Occupation and Economic Welfare Status of the household were analysed in detail. The study also examined the relation between education and economic welfare status of households using the same procedure. The important statistical techniques employed are: Trend Analysis, Age-Education-Earning profiles, Test of Significance of Difference between Means, Analysis of Variance, Correlation and Test of Significance of the difference between correlations.

1.8 SCOPE AND LIMITATIONS OF THE STUDY

The present investigation is expected to throw light on the contribution of education to the economic growth of Idukki district. After the reorganisation of Idukki district, many plans were launched for the socio-economic development of the people. After the introduction of Panchayat Raj System, Local Self Governments have been actively involved in the developmental programmes of the district. Since the district comprises a major part of the tribal population of the state, their upliftment requires special attention. Emphasis was laid on education as an instrument for socio-economic regeneration of various sections. It is essential to know how far the programmes helped to improve their conditions. The study will provide an understanding of the effectiveness of the governmental programmes initiated for the development of the district.

In general, the study is intended to examine to what extent education influences the economic growth of Idukki district. It also gives an account of the educational and economic status of various sections of people. This will
be of great help to governments and policy makers in making further investments through successful channels in an optimum manner. It would also help them to rectify and update the policies from time to time and introduce effective programmes to empower the people of the district.

It is the humble expectation of the investigator that the findings of the present study would point out the necessity of strengthening and updating educational programme as an instrument for enhancing the economic status of people in the District.

This study is of great help to the government authorities and local bodies, to adopt necessary steps for the economic security and welfare of people. Moreover, it would encourage the concerned authorities to examine the quality of educational programmes carried out from time to time so that necessary modifications and suitable changes might be made to re-vitalize the process.

Though every attempt has been made to obtain reliable and generalisable results, the investigator would like to own certain unavoidable limitations that have crept into the study:

The review of educational and economic growth and determination of present status of the district was mainly based on secondary data. But in many cases the latest and reliable data have not been available.

All the accepted indicators of educational and economic growth have not received adequate emphasis in the study due to lack of district wise data.
The analysis of the progress of education and economic growth was based on the available statistical data from 1990 only. The sample for the study includes only the earning members in the family.

The study considers the educational levels of earning members in the households only. The earnings from jobs such as salaries or wages only are taken into account. All other forms of income from inherited wealth or from other sources are excluded.

In spite of the above limitations, an earnest attempt has been made to study as many aspects of the problem as possible within the stipulated period.

1.9 ORGANISATION OF THE REPORT

The research report consists of six chapters:

**Chapter I** presents an introductory overview of the study which gives an account of the contextual background of the problem, need and significance of the study, statement of the problem, definition of key terms, objectives of the study, hypotheses, methodology in brief, scope and limitations of the study, a profile of Idukki district and organization of the report.

**Chapter II** provides a theoretical framework for the study. It includes an introduction to Economics of Education, economic approaches to education, economic aspects of education, human capital theory, education and productivity and the nexus between education and economic growth.

**Chapter III** deals with a summary of related literature pertaining to the study. The studies related to the topic are presented as studies related to
education and economic growth, studies related to rate of return to education and studies related to inequality in education and poverty.

**Chapter IV** presents the methodology for the study. It deals with the design of the study, method adopted, variables, sampling procedure, collection and consolidation of data, tools used, and statistical techniques employed.

**Chapter V** is devoted to the analysis of the data collected. It consists of two sections. The first section deals with the analysis of secondary data dealing with the educational and economic growth of Idukki district. The second section deals with the analysis of primary data concerned with the impact of education on the earnings of people and Economic Welfare Status of the households in the district.

**Chapter VI** gives a summary of the study, major findings, conclusions, tenability of the hypotheses, suggestions and recommendations, suggestions for further research and is followed by a detailed bibliography and appendices.

In order to find a base for the present study, the investigator had searched through relevant books, journals and websites. The theories related to this study are presented in the next chapter titled “Education and Economic Growth – A Theoretical Overview”.