

**A STUDY ON INVESTMENT IN HUMAN CAPITAL: EDUCATION AS AN ECONOMIC GROWTH DRIVER**

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**Abstract:**

*Investment in human capital, especially through educational initiatives, is a key driver of economic expansion and advancement. This investigation explores the correlation between educational investment and economic outcomes, drawing upon secondary data sourced from governmental publications, UNESCO, and the World Bank. The study employs a descriptive and analytical methodology to assess education's influence on literacy rates, employment figures, and overall economic growth. A comparative analysis is performed, focusing on five Indian states—Maharashtra, Kerala, Gujarat, Bihar, and Tamil Nadu—across the timeframe of 2019 to 2024. The findings reveal a strong positive relationship between education levels and employment opportunities. States with higher literacy rates demonstrate better economic performance and workforce productivity.*

*This study examines the relationship between educational investment and economic results, utilizing secondary data obtained from government reports, UNESCO, and the World Bank. A descriptive and analytical approach is employed to evaluate education's impact on literacy rates, employment statistics, and overall economic expansion. A comparative analysis is conducted, concentrating on five Indian states—Maharashtra, Kerala, Gujarat, Bihar, and Tamil Nadu—over the period from 2019 to 2024. The results indicate a significant positive correlation between educational attainment and employment prospects. States exhibiting higher literacy rates also demonstrate superior economic performance and workforce productivity.*

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**Introduction:**

Human capital refers to the knowledge, skills, education, and abilities possessed by individuals that enhance their productivity and contribute to economic development. In modern economies, education is considered one of the most significant components of human capital formation.

Investment in education improves individual earning capacity, enhances workforce productivity, and fosters innovation. Countries and regions that prioritize education tend to achieve higher economic growth, better employment opportunities, and improved standards of living.

This study focuses on understanding how education acts as a driver of economic growth by analyzing literacy rates, employment trends, and state-level performance in India.

**Objectives:**

- 1) To study the concept of human capital and its role in economic development.
- 2) To examine the relationship between investment in education and economic growth.
- 3) To compare literacy and employment rates across selected Indian states.
- 4) To analyze the impact of education on employment generation.

**Research Methodology:**

This study is descriptive and based on secondary data collected from reports, journals, and government publications

**Hypotheses of the study:**

H<sub>01</sub>: Investment in education has no significant impact on economic growth.

H<sub>11</sub>: Investment in education has a significant positive impact on economic growth.

H<sub>02</sub>: There is no significant relationship between literacy rates and employment levels.

H<sub>12</sub>: Higher literacy rates lead to higher employment levels.

H<sub>03</sub>: Skill-based education does not significantly influence employability.

H<sub>13</sub>: Skill-based education significantly improves employability.

### Comparative Study (2019–2024 Approx.)

This comparative study examines developments in employment and literacy rates in five major Indian states during a five-year period (2019–2024). Understanding how investments in education (human capital) affect job prospects and economic growth is the goal.

### Employment Rate Trends:

Because of their robust manufacturing and industrial sectors, Gujarat and Tamil Nadu have higher employment rates. With a combination of industrial and service sectors, Maharashtra maintains steady employment. Kerala has a moderate employment rate, depending mostly on work abroad and in the service industry. Due mostly to a lack of industrial development, Bihar has the lowest employment rate.

### Literacy Rate Trends:

Kerala has consistently had the highest literacy rate (~95%), which is indicative of significant investments in social development and education.

Tamil Nadu and Maharashtra both exhibit consistent progress, suggesting that their educational institutions are growing in a balanced manner.

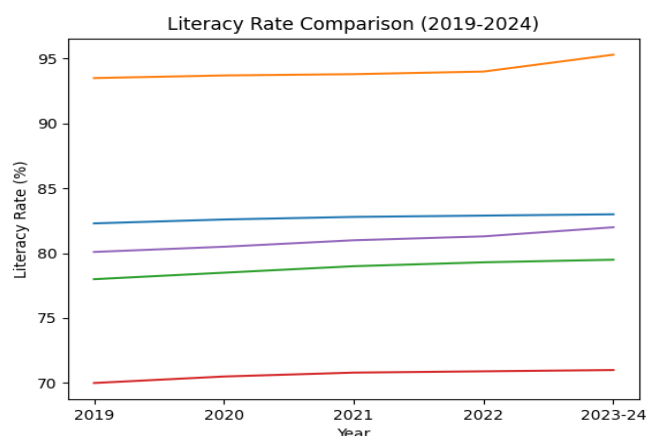
With a focus on technical and skill-based education, Gujarat exhibits moderate growth.

Bihar continues to be the lowest, underscoring deficiencies in access to and facilities for education.

All states have seen a steady rise in literacy rates overall, indicating advancements in the development of human capital.

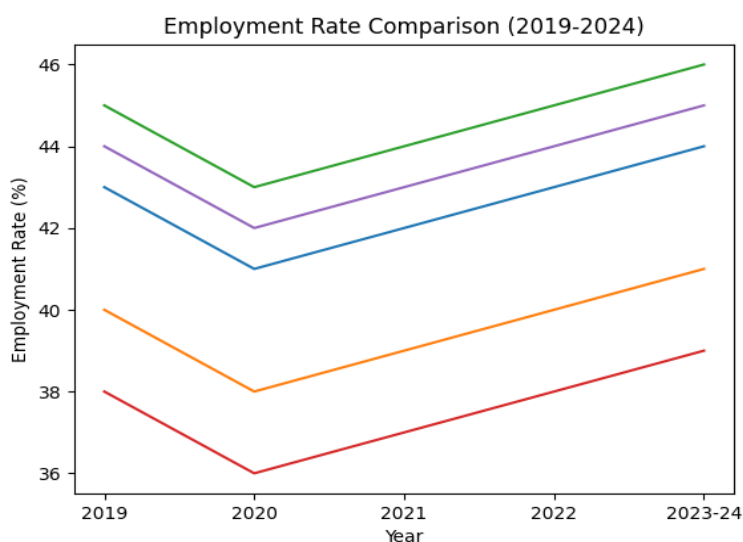
**Literacy Rate Comparison (%)**

Year	Maharashtra	Kerala	Gujarat	Bihar	Tamil Nadu
2019	82.3	93.5	78.0	70.0	80.1
2020	82.6	93.7	78.5	70.5	80.5
2021	82.8	93.8	79.0	70.8	81.0
2022	82.9	94.0	79.3	70.9	81.3
2023-24	83.0	95.3	79.5	71.0	82.0



**Employment Rate Comparison (% of Working Population)**

Year	Maharashtra	Kerala	Gujarat	Bihar	Tamil Nadu
2019	43%	40%	45%	38%	44%
2020	41%	38%	43%	36%	42%
2021	42%	39%	44%	37%	43%
2022	43%	40%	45%	38%	44%
2023-24	44%	41%	46%	39%	45%



### Comparative Analysis:

1. The relationship between literacy and employment  
Tamil Nadu and Kerala, two states with high literacy rates, have greater employment prospects. States with low literacy rates have poorer employment and output.
2. Regional Variations  
Southern states do better in terms of employment and literacy.  
States in the north, such as Bihar, fall behind.
3. Five-Year Growth Trend  
Every state has seen a consistent rise in literacy.  
Due to the COVID impact in 2020–2021, employment varied slightly.

### Findings:

1. Economic growth and education are positively correlated.
2. From 2019 to 2024, literacy rates rose in every state.
3. greater employment rates are found in states like Kerala and Tamil Nadu that have greater literacy rates.
4. Because of industrial and skill-based education, Gujarat has a high employment rate.
5. Due to inadequate educational development, Bihar has low employment and literacy rates.
6. Employability is enhanced via skill-based education.
7. The growth of human capital is significantly influenced by government investment in education.

**Conclusion:**

The study comes to the conclusion that economic development and growth are greatly aided by investments in education. Increased productivity and better job prospects are correlated with higher literacy and skill levels. Economic performance is higher in states with robust educational institutions. For sustainable growth, more money must be spent on education and skill development.

**Suggestions:**

1. Spend more money on infrastructure and education.
2. Encourage programs for vocational and skill-based training.
3. Expand rural and underdeveloped communities' access to high-quality education.
4. Promote public-private collaborations in the field of education.
5. Concentrate on lowering regional differences in

employment and literacy.

6. Boost contemporary teaching techniques and digital education.
7. Increase employment opportunities that are in line with education and skill levels.

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