

Impact of Education on Economy

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Abstract

Education is a human capital investment, which is expected to yield results that will translate to the improvement and growth of the economy of a nation. So this paper explores the importance of education in economic development, the relation between education and the economy, and the impact of education on the economy. The effect can be seen in areas with a high percentage of well-educated people who can channel their knowledge into concrete actions that lead to the development of the economy in comparison to those areas where there are few well-educated people. A country's economy becomes more productive as the proportion of educated workers increases since educated workers can more efficiently carry out tasks that require literacy and critical thinking.

Key words: economic development, education and economy, economic growth, sustnable economic

Introduction

First of all, Education teaches the ability to read and write. Reading and writing is the first step in education. Most information is done by writing. Hence, the lack of writing skills means missing out on a lot of information. Consequently, education makes people literate. Above all, education is extremely important for employment. It certainly is a great opportunity to make a decent living. This is due to the skills of a high-paying job that education provides. Uneducated people are probably at a huge disadvantage when it comes to jobs. It seems like many poor people improve their lives with the help of education. Better Communication is yet another role in education. Education improves and refines the speech of a person. Furthermore, individuals also improve other means of communication with education. Education makes an individual a better use of technology. Education certainly provides the technical skills necessary for using technology. Hence, without education, it would probably be difficult to handle modern machines. People become more mature with the help of education. Sophistication enters the life of educated people. Above all, Education teaches the value of discipline to individuals. Educated people also realize the value of time much more. To educate people, time is equal to money.

Similarly, economics is one of the oldest and most influential intellectual disciplines. Practically all of the great thinkers, from Aristotle to Einstein, have tried their hand at it, and the great economists like Adam Smith, Thomas Malthus, David Ricardo, John Maynard Keynes, and Milton Friedman rank among the most influential minds in our history. The economic paradigm permeates our thinking about practically every area of human activity. Adam Smith's ideas about competition had a strong influence on Charles Darwin's study of biology. Insect colonies are said to "invest" in nest building. Our thinking about politics and social behavior draws heavily on ideas about incentives, trading, and maximization that come from economics. The word economics comes from ancient Greece when an "economist" was the manager of an estate. Those very practical economists grappled with all the basic problems of economic

decision-making facing a modern executive today. What is the optimal mix of crops? How much to invest in new equipment? or irrigation instead? Should we sell our grain now, or wait until prices improve? Modern economics returns the compliment by providing the foundations of business administration today. Successful executives have often told the author that the principles they draw on every day in making decisions are those that they learned in their first courses in economics (Charles, 2009).

Importance of Education in Economic Development

Earlier to the nineteenth century, efficient venture in human capital was not considered particularly critical in any nation. Uses on tutoring, on-the-job preparing, and other comparative shapes of the venture were very few. This started to alter intensely in this century with the application of science to the improvement of unused merchandise and more effective strategies of generation, to begin within incredible Britain, and after that continue in other nations. During the twentieth century, instruction, aptitudes, and the securing of information have gotten to be vital determinants of a person's and a nation's efficiency. One can indeed call the twentieth century the "Age of Human Capital" within the sense that the essential determinant of a country's standard of living is how well it succeeds in creating and utilizing the abilities and information, advancing wellbeing, and teaching the majority of its public.

The past decades have seen exceptional developments in getting to fundamental instruction all through the Center East. Numerous nations are presently on the brink of an additional increment in getting to auxiliary and higher instruction and in affecting marvelous enhancements within the quality of instruction advertised at all levels. As expanding numbers of understudies total their fundamental instruction, their request for instruction at higher levels is additionally expanding. Teaching young ladies and ladies is likely the single most viable venture a creating nation can make, whether or not ladies work exterior of the domestic. It makes a large number of positive remunerations for families counting superior family wellbeing and sustenance, progressed birth dividing, lower newborn child and child mortality, and upgraded instructive attainment of children. Nations within the Center East are progressively coordinated in world markets for made-up merchandise. Their capacity to compete in these markets and globalizing benefit markets will depend on the brilliance of human capital they bring to the competition. Guaranteeing that all citizens are taught and numerate, that numerous have a wide extend of issue tackling abilities past the essential level, which a few have world course proficient abilities will require an unused educational program, moved forward instructor programs, and scholarly strategies that empower higher arranged cognitive aptitudes (Ozturk , 2001).

No nation has accomplished consistent financial improvement without an impressive venture in human capital. Past thinks about have appeared good-looking returns to different shapes of human capital collection: fundamental instruction, inquire about, preparing, learning-by-doing, and fitness building. The conveyance of instruction things. Unequal instruction tends to impair per capita pay in most nations. Besides, controlling for human capital dispersion and the utilize of suitable utilitarian shape details reliable with the resource assignment show contrast the impacts of normal instruction on per capita wage, whereas disappointment to do so leads to immaterial and indeed negative impacts of normal instruction. Venture in human capital can have a small effect on development unless individuals can utilize instruction in competitive and open markets. The bigger and more competitive these markets are, the more

noteworthy are the prospects for utilizing instruction and abilities.

Education alone, of course, cannot transform an economy. The quantity and quality of investment, domestic and foreign, together with the overall policy environment, form the other important determinants of economic performance. Yet the level of human development has a bearing on these factors too. The quality of policymaking and investment decisions is bound to be influenced by the education of both policymakers and managers; moreover, the volume of both domestic and foreign investment is likely to be larger when a system's human capital supply is more plentiful.

Relation between Education and Economic

The link between economic development and education lies in the fact that education is a facilitator for economic development. Education is a human capital investment, which is expected to yield results that will translate to the improvement and growth of the economy of a nation. This effect can be seen in areas with a high percentage of well-educated people. Such people can channel their knowledge into concrete actions that lead to the development of the economy in comparison to those areas where there are few well-educated people.

An example of the link between economic development and education is the value derived from the improvement of knowledge. Education involves a formal or informal process of instructing people and depositing a capital wealth of knowledge inside of them. For instance, when someone goes to school to train as an engineer, the process will involve a series of training, tests, and other forms of practical and theoretical teachings aimed at improving that person's knowledge. After the individual goes through this formal training, he or she will help develop the economy through the application of the knowledge gained from the training to various projects that will in turn lead to economic dividends. Another example of the link between economic development and education is the ability of the members of an educated society to use their knowledge to discover new opportunities for wealth creation. For instance, most people in third world countries may not be able to develop models that will help them effectively beneficially utilize their resources due to a marked low ratio of educated people in comparison to the percentage of educated people in developed countries. An example of this scenario can be seen in a situation where there is a lack of proper infrastructure for sustaining the efficient distribution of energy, leading to constant power outages and a lack of power in certain parts of the community. Such a situation affects the ability of a country to produce successfully and often results in low Gross Domestic Product for these regions.

The educational provisions within any given country represent one of the main determinants of the composition and growth of that country's output and exports and constitute an important ingredient in a system's capacity to borrow foreign technology effectively. For example, health and nutrition, and primary and secondary education all raise the productivity of workers, rural and urban; secondary education, including vocational, facilitates the acquisition of skills and managerial capacity; tertiary education supports the development of basic science, the appropriate selection of technology imports and the domestic adaptation and development of technologies; secondary and tertiary education also represent critical elements in the development of key institutions, of government, the law, and the financial system, among others, all essential for economic growth. Empirical evidence at both micro and macro levels further illuminates these relationships.

Economic development and education are related by how education leads to the ability

of individuals to create opportunities for economic development. For instance, an educated individual may be able to apply the knowledge gained through education to the development of items like solar energy-powered products as well as other equipment and machinery. These products can increase demand for locally produced goods and also boost the GDP of such countries. It is widely accepted that to adapt to an environment of stronger competition, and a world emphasizing the role of information, knowledge, and skills, advanced economies need continuously to upgrade the overall quality of their labour force (Ozturk, 2001).

Impact of Education on Economy

A country's economy becomes more productive as the proportion of educated workers increases since educated workers can more efficiently carry out tasks that require literacy and critical thinking. However, obtaining a higher level of education also carries a cost. A country doesn't have to provide an extensive network of colleges or universities to benefit from education; it can provide basic literacy programs and still see economic improvements. Countries with a greater portion of their population attending and graduating from schools see faster economic growth than countries with less-educated workers. As a result, many countries provide funding for primary and secondary education to improve economic performance. In this sense, education is an investment in human capital, similar to an investment in better equipment. According to UNESCO and the United Nations Human Development Programme, the ratio of the number of children of official secondary school age enrolled in school to the number of children of official secondary school age in the population (referred to as the enrollment ratio), is higher in developed nations than it is in developing ones (Bhattarai et al., 2015).

The enrollment ratio differs as a metric from calculating education spending as a percentage of gross domestic product (GDP), which doesn't always correlate strongly with the level of education in a country's population. GDP represents the output of goods and services for a nation. Therefore, spending a high proportion of GDP on education doesn't necessarily ensure that a country's population is more educated. For businesses, an employee's intellectual ability can be treated as an asset. This asset can be used to create products and services that can be sold. The more well-trained workers employed by a firm, the more that firm can theoretically produce. An economy in which employers treat education as an asset is often referred to as a knowledge-based economy (Grant, 2017). Like any decision, investing in education involves an opportunity cost for the worker. Hours spent in the classroom mean less time working and earning income. Employers, however, pay higher wages when the tasks required to complete a job require a higher level of education. As a result, although an employee's income might be lower in the short-term to become educated, wages will likely be higher in the future, once the training is complete.

The skills available in the labour force and the price of those skills determine how countries will fare in the global market. As services and production systems become more complex, they require workers with higher levels of education. To attract and retain skilled workers, societies need to strike the right balance between fostering overall equity and offering strong economic incentives. Increasing attainment levels in the population, better employment prospects, and the increased earnings that come with higher educational attainment can all contribute to growth and prosperity in OECD countries. In this context, labour income growth in GDP by educational categories provides a simple measure to illustrate this move towards

higher skills and the impact it has on economic growth (OECD, 2012)

The roles of higher education in sustainable economic and social development increase year by year, and this will continue over the next decades. Higher education can be seen as a focal point of knowledge and its application, an institution that makes a great contribution to economic growth and development through fostering innovation and increasing higher skills. It is looked at as a way to improve the quality of life and address major social and global challenges. Higher education is broadly defined as one of the key drivers of growth performance, prosperity and competitiveness. UNESCO says its social role provides the link between the intellectual and educational role of universities on one hand and the development of society on the other. Raising skills holds the key to higher living standards and well-being. Investing in knowledge creation and enabling its diffusion is the key to creating high-wage employment and enhancing productivity growth (Bhattarai et al., 2015).

Just as a firm with better-educated workers can perform better in these dimensions, so too can an economy with a better-educated workforce. Skills beget more skills and new ways of doing business, workers learn from one another, and firms adapt their technology and their use of capital to the skills of the available workforce. The benefits of having a more educated workforce accrue to everyone, not just to the organization where these individuals happen to work. Further, these kinds of indirect (or spillover) effects for the firm or the economy as a whole may be especially important in an increasingly competitive global marketplace. Imagine an economy lacking in people able to read directions, use a sophisticated copier or a computer, or understand prevailing norms of behavior. Even if a single organization in that economy were able to find or import such skills, other organizations would not be able to invest in certain kinds of equipment or certain kinds of businesses with any assurance that it could make the investment profitable (Dumciuviene, 2014). Beyond that, a more educated workforce may produce a less crime-ridden and healthier environment with better functioning civil institutions and all the benefits that flow to the business sector from that environment. Future growth and social welfare will depend on knowledge-intensive industries and services. In this case, more jobs will require a higher education qualification. It is important to determine the relations between education policy, other policies – such as research and technological development, social - and economic development of the country. The article analyses the human capital as a factor of production, accumulated by individuals through education and its impact on higher production. Another important issue is the high education impact on research, technological development, and total factor productivity growth. The development of knowledge society requires a new attitude to European education policy.

Conclusion

Education is indispensable to economic development. No economic development is possible without a good education. A balanced education system promotes not only economic development, but productivity, and generates individual income per capita. Its influence is noticeable at the micro-level of an individual family. We find that GDP is co-integrated with all educational variables, indicating a positive relationship. For the improvement of educational quality, the level and effectiveness of educational inputs should be increased. The government should focus on educational development especially the first two stages of education to achieve the highest possible enrollment rates and a rising educational level for its labor force. In other words, the educational system must provide the education related to and needed by

the labor market. In this context, the educational system is being challenged to reconsider its fundamental objectives. The information and aptitudes of laborers accessible within the labor supply could be a key figure in deciding both commerce and financial development. Economies with a noteworthy supply of gifted labor, brought on through formal instruction as well as professional preparing, are regularly able to capitalize on this through the development of more value-added businesses, such as high-tech fabricating. Nations ought to guarantee through enactment and jobs programs that all their citizens have got to the instruction and preparing that can lift specialists, companies, and the complete economy. Education in every sense is one of the fundamental factors of development. No country can achieve sustainable economic development without substantial investment in human capital. Education enriches people's understanding of themselves and the world. It improves the quality of their lives and leads to broad social benefits to individuals and society. Education raises people's productivity and creativity and promotes entrepreneurship and technological advances. In addition, it plays a very crucial role in securing economic and social progress and improving income distribution.

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