1. Answer the following question in about 800 words.

What are the approaches that are employed by planners for assessing the contribution of education to economic growth and social development?

Ans: Modern Approaches to Education

Although education was given a prominent place in the economic literature of the Mercantilists and Classical economists, its importance as an economic investment found its place in Economics only from the 1960s. The concept of education as an investment came into existence with the Presidential address of Theodore Schultz to the Annual Conference of American Economic Association in 1960. This section reviews the major human capital theories and its relation to economic growth.

Human Capital Approach

According to human capital approach, education is regarded as an investment in human capital, capable of yielding returns in future. Schultz pointed out that 'investments in man, like investments in property are ways of establishing additional income streams'. Hence he advocated a higher priority for increasing investment in education and developed a human capital concept to quantify the contribution of education to economic growth. Education is an investment in human capital and such investments not only increases individual productivity, but also lays the technical base of the type of labour-force necessary for rapid economic growth.

The concept of human capital explained above suggests that education raises the productivity of workers and increases their lifetime earnings by imparting useful knowledge and skills. But this argument is criticised on the ground that the higher earnings of educated workers simply reflected their superior ability rather than the educational process. Superior ability is found to be the reason for earnings differentials and this approach is called 'ability adjustment'.

Screening or Filtering Approach

This approach does not subscribe to the productivity augmenting role of education. Instead, it considers education simply as a device which confers a certificate or diploma enabling the holder to obtain a well paid job without directly affecting his or her productivity. Screening approach also indicates that an individual has certain abilities, aptitudes and attitudes and the educational process helps to shape and develop those attributes. Hence education not only provides knowledge and skills, but also moulds the personal characteristics or attributes of an individual. This means that the concept of investment in human capital is still valid but it must be extended to include activities which affect personal attributes as well as skills, and it must recognise that such activities increase worker’s productivity in complex ways.

2. Answer the following questions in about 400 words each:

a) Differentiate between cost efficiency and cost effectiveness in education.

Ans: Cost-effectiveness analysis is an evaluation tool that is designed to assist in choosing among alternative courses of action or policies when resources are limited. Most educational decisions face constraints in the availability of budgetary and other resources. Therefore, limiting evaluation to the educational consequences of alternatives, alone, without considering their costs, provides an inadequate basis for decision-making. Some alternatives may be more costly than others for the same results, meaning that society must sacrifice fewer resources to obtain a given end. It is desirable to choose those alternatives that are least costly for reaching a particular objective or that have the greatest impact per unit of cost. This is intuitively obvious because the most cost-effective solution will free up resources for other uses or allow a greater impact for any given investment in comparison to a less cost-effective solution.

Applying this to educational interventions, there are a host of options from which schools, school districts, and higher education institutions can choose to improve educational outcomes. Many have shown at least some evidence of effectiveness - although the standards of evidence vary considerably. Thus, at the very least, consistent standards of evidence are needed to compare the competing alternatives. But estimates of the costs of the alternatives are needed as well. Even if one alternative is 10 percent more effective than another, it will not be preferred if it is twice as costly. Thus, both costs and effectiveness must be known in order to make good public policy choices.

Before reviewing briefly the methodology of cost-effectiveness analysis, it is important to differentiate it from a closely related evaluation tool, cost-benefit analysis. The approach to measuring costs is similar for both techniques, but in contrast to cost-effectiveness analysis where the results are measured in educational terms, cost-benefit analysis uses monetary measures of outcomes. This approach has the advantage of being able to compare the costs and benefits in monetary values for each alternative to show if the benefits exceed the costs. It also enables a comparison among projects with very different goals as long as both costs and benefits can be placed in monetary terms. In education, cost-benefit analysis has been used in cases where the educational outcome is market informed such as in vocational education or in consideration of the higher income produced by more or better education.

b) Describe briefly the principles of financial management?

Ans: Basic Principles of Financial Management are -

Organize Your Finances

Organizing your finances is the first step to creating wealth. Credit cards, bank accounts, personal loans, brokerage accounts, mortgages, car loans and retirement accounts should be tracked. Budgeting software can provide complete solutions to track all such accounts, make on-time payments and more. Jeff Morris, a certified public accountant in Bethesda, Maryland, points out: “Once you enter your accounts and balances into budgeting software, you will be able to spend less time getting organized and more time making sense of your situation.”

Spend Less Than You Earn

Personal financial software provides powerful tools to help you track and budget your spending and take steps to achieve your long-term goals. If you learn to track your finances and know where you spend the most, you’ll be able to control your money. “The best way to ensure that you either overcome debt or avoid it in the first place is to never spend more than you make,” Morris says.

Put Your Money to Work

Take advantage of the time value of money. Morris gives the following example: "A 21-year-old who invests $17.50 a day until retiring at the age of 65 at a 5 percent average annual investment return can be a millionaire. At age 30, the required daily savings amount almost doubles. At age 40 the amount quadruples." So save early and often, even if the amount is small.

Limit Debt to Income-Producing Assets