Intellectual Quest ISSN 2349-1949 Vol-XX, Dec 2023
A Peer reviewed and Refreed Journal)

India's Role in Human Capital Formation in Kenya Through Service Trade

Dr. Seepana Prakasam
Associate Professor
PGGCG-11, Chandigarh

Introduction

Human capital refers to the productive qualities that activate the labor force. The productive qualities are education, knowledge, health and skills. Human capital formation is the process of increasing the productive qualities or abilities of labor force by providing more education, increasing skills, health and nutrition level. Just for proper utilization of manpower resources, a country should impart proper education to its population and train its labor force in technology, engineering, management, medicine and many other fields connected with the development of various sectors of the economy.

T.W. Schultz (1971), stated five ways of developing human resources (i) Health facilities and services, broadly conceived to include all expenditure that affect the life expectancy, strength and stamina, vigor and vitality of the people (ii) In on-the-job training, including aid type apprenticeships organized by firms (iii) Formally organized education at the elementary, secondary and higher levels (iv) Study programmes for adults that are not organized by firms, including extension programmes notably in agriculture (v) Migration of individuals and families to adjust to changing job opportunities.

Human development is development of the people through building human capabilities, for the people by improving their lives and by the people through active participation in the processes that shape their lives. The Human Development Index (HDI) is a composite index focusing on three basic dimensions of human development: life expectancy at birth; mean years of schooling, gross national income per capita. Among 188 nations, India's rank is 130 (index 0.609), while Kenya's rank is 145 (index is 0.548). India is one among the medium human development nations, while Kenya is one among the low human development nations, Human Development Report (2015). Kenya is left behind in Human Development Index presses the necessity of acceleration of human capital formation.

Human Development indicators of Kenya and India

Table 1.1 indicates the status of human development indicators of Kenya and India. Kenya is having added advantage in demographic dividend (young Kenya). Demographic dividend can be tapped by increasing level of education, knowledge and skills of the young population. Rate of unemployment is too high, govt cannot provide jobs to the exploding unemployed, but can assist in creation of self employment avenues by imparting vocational technical education and training.

Table.1.1. Human Development indicators of Kenya and India

Sl No	Indicator	Kenya	India
1	Human Development Rank	146	131
2	Gross National Income percapita (2011 ppp)	$2881	$5663
3	Population growth rate	2.7	1.3
4	Population below poverty line (2005-2014 ($1.90 ppp per day)	33.6 percent	21.2 percent
5	Life expectance at birth (Years)	62.2	68.3
6	Median age of population	18.9	26.6
7	Literacy rate	78	72.1
8	Mean years of schooling	6.3	6.3
9	Primary School dropout rate	22.4 (2015 HDR)	0
10	Unemployment rate % of labor force	17.6	9.7

Source: Human Development Report (UNDP, 2016).

In order to develop various sectors of the economy, a country should have rational manpower planning for the development of its human resources. Manpower planning indicates future planning of human resources for meeting the present and future development needs of the economy. It should acquire data regarding the quantity and quality of manpower requirements, to employ them in primary, manufacturing and service sectors and sub sectors of the economy. Just for proper utilization of manpower resources, a country should impart proper education and training to its labor force in technology, engineering, management, medicine, soft skills and in many other fields connected with the development. In the absence of adequate investment in human capital, utilization of physical capital will be at low pace, leading to retardation of development.

Importance of Human Capital Formation

Most of the underdeveloped countries are suffering from low rate of economic growth which is again partially resulted from lack of investment in human capital. These nations are facing mainly two basic problems. They lack critical skills very much needed for the industrial sector and again have a surplus labor force. Thus human capital formation wants to solve these problems by creating necessary skills in man as a productive resource and also providing gainful employment.

Effective use of physical capital, "to staff new and expanding government services, to introduce new system of land use and new methods of agriculture, to develop new means of communication, to carry forward industrialization and, to build the education system., innovations, increase life expectancy, improve quality of life and to control population.

Role of Services for Human Capital Formation

Services play an important role in all modern economies. A resilient service sector, by increasing availability of services, may boost economic growth; enhance industrial performance and human capital formation. Services constitute the largest sector in the global economy, accounting for 70% of global GDP, 60% of global employment and 46% of global exports measured in value-added terms. WTO statistics show that the share of developing economy services export increased from 24% in 2005 to 32% in 2015, and the share of LDCs in global services export increased from 0.4% in 2005 to 0.8% in 2015. Increased services export from the LDCs is an important contributor of meeting the sustainable development goals of doubling the export from LDCs by 2020.

The services sector is the key driver of India's economic growth. The sector contributed around 66.1 per cent of its Gross Value Added growth in 2015-16, thereby becoming an important net foreign exchange earner. India's services sector has matured considerably during the last few years and has been globally recognized for its high growth and development. This sector has been growing at an annual growth rate of about 35% during the last 5 years. Government of India have enabled India to build up a huge and versatile cadre of professionals with expertise and skills across a vast and wide-ranging spectrum of disciplines like Health Care, Tourism, Education, Engineering, Communications, Transportation, Information Technology, Banking, Finance, Management and a host of others. A sizeable part of this workforce of professionals makes up the country's growing consultancy sector which is offering its accumulated experience and expertise at home and abroad.

Trade in Services

A service represents the most dynamic segment of international trade. As well as being important in its own right, the services sector provides key inputs into the production and trade of all products, playing an important role in global value chains and economic development. The WTO's General Agreement on Trade in Services (GATS) provides the legal ground rules for international trade in services, allowing WTO members the flexibility to open their markets to foreign competition to the extent of their choosing.

Trade in services (% of GDP) in India was 14.71 in 2014; (World Bank) .Trade in services is the sum of service exports and imports divided by the value of GDP. India's export of commercial services grew at 5% in 2013 and reached at US$153 billion, during 2013, India ranked 6th in export of services

A primary reason why international trade in services has been limited is that the performance of many services necessitates physical contact between producers and consumers, a condition that renders service provision to distant locations infeasible. New technology, in particular, the Internet, provides a medium of exchange that overcomes such historical trading hurdles for many services, effectively reducing transport costs from infinity to virtually nothing.

Policies relating to movement of factors of production and to the movement of receivers of services may distort trade in some services more than in the case of goods. Such policies may be of more importance to trade in services than restrictions on trade in services themselves. Gary p Sampson and Richard H.Snape (2007).

International trades in goods requires inputs from several services industries (trade services such as transportation, insurance and finance) in order to complete and facilitate international transactions. Restriction on the ability of national service providers to provide these services across borders and within foreign countries creates additional costs and barriers to international trade Alan V. Deardorff , (2001).

The Main Service Sectors

Business and professional services, including: • Accountancy services • Advertising services • Architectural and engineering services • Computer and related services • Legal services ,Communication services • Audiovisual services • Postal and courier services • Telecommunications, Construction and related services, Distribution services ,Educational services, Energy services, Environmental services, Financial services, Health and social services, Tourism services, Transport services.

The Modes Trading Services

A GAT provides four modes of supply of services viz.

Mode 1: Cross-border supply refers to a situation where the service flows from the territory of one Member country into the territory of another Member country. For example, an architect can send his architectural plan through electronic means; a teacher can send teaching material to students in any other country; a doctor sitting in Germany can advise his patient in India through electronic means. In all these cases, trade in services takes place and this is equivalent to cross-border movement of goods.

Mode 2: Consumption abroad refers to a situation where consumer of a service moves into the territory of another Member country to obtain the service. For example, a tourist using hotel or TPD (Services), restaurant services abroad; a ship or aircraft undergoing repair or maintenance services abroad.

Mode 3: Commercial presence implies that service suppliers of a Member country establish a territorial presence (a legal presence) in another Member country with a view to providing their services. In this case, the service supplier establishes a legal presence in the form of a joint venture/ subsidiary/representative/branch office in the host country and starts supplying services.

Mode 4: Presence or movement of natural persons (in simple language it is export of manpower) covers situations in which a service is delivered through persons of a Member country temporarily entering the territory of another Member country. Examples include independent service suppliers (e.g. doctors, engineers, individual consultants, accountants, etc.) However, GATS covers only temporary movement and not citizenship, residence or employment on a permanent basis in the foreign country.

Physical transfer of service providers or physical transfer of consumers - Whether to allow service providers to mobile physically or not depends on cost and benefit analysis. It depends on type of service and duration of service required and number of people required such service. Online services are more cost effective- It can be applied where the physical presence of service provider is not required. It nullifies the procedure and difficulties involved in migration of people. An online service usage is depends on availability of technology and manpower in service rendering and the receiving nations.

Bilateral Trade

A bilateral trade is the exchange of goods between two countries that facilitates trade and investment by reducing or eliminating tariffs, import quotas, export restraints and other trade barriers. Bilateral trade agreements are between two nations at a time, giving them favored trading status with each other. The goal is to give them expanded access to each other's markets, and increase each country's economic growth. Bilateral trade agreements easier to negotiate than multilateral trade agreements, since they only involve two countries. This means they can go into effect faster, reaping trade benefits more quickly.

The similarities in both the nations are more congenial for accelerating bilateral trade in services. Kenya and India having the following similarities conducive for trade in services. The similarities are –(1) both the nations using English is the medium of communication (2) both the nations ruled by British, administrative setup is more or less same (3) weather conditions similar, except relatively more cold during winter in north India and relatively more hot during summer in south India. (4) No communal clashes between the dominant religious groups (Hindis and Christians) in both the nations.

Ways of Developing Human Resources in Kenya

(i) Education and Training:

The first composition of human capital formation is to provide education and training facility to the people in general. Investments made in education can accelerate economic growth. Proper utility of manpower depends on system of education, training and industrial experience of the people. Education is thought to play major role for capital formation and economic development leading to higher living standards. Not only does education provide better job market opportunities, leading to higher wages and an improved standard of living, but evidence also suggests that improved schooling inputs can lead to a greater sense of political awareness reduced acceptance of traditional authority and increased gender equality. Education is a powerful instrument for social transformation and economic development through the human capital formation

Training and nurturing human resource of Kenya is backbone for India-Kenya relations. India is having highly skilled manpower and also having skill imparting educational and training institutions like IITs, NITs, national institutions and universities. Skilled manpower shortage can be averted by imparting education and training in these institutions. It may be difficult for India for giving unlimited number of scholarships; hence the beneficiary institutions can sponsor their candidates to get education and training from India. Educational services in India are much cheaper in both public and private sectors. India is the hub of the famous IIMs, Kenyans who want to settle as business executives or want to start own enterprises as entrepreneurs can get training in these management institutes. The work culture in Kenya is much better than in India, hence companies can yield good profits in the long run out of the services rendered by the trained workers, it will enhance not only individual earnings but also economic development. By reducing visa restrictions and providing secure environment, Kenya can also invite experts to work and impart training to the staff in Kenya. Expenses for training can be borne on sharing basis by the employers, employees and the government.

(ii) Health and Nutrition:

The second composition of human capital formation is Health and Nutrition- As the poor health and undernourishment adversely affect the quality of manpower, the best way to improve the quality of manpower in underdeveloped countries is to provide adequate food and proper nourishment to people along with adequate health and sanitation facilities.

The healthy human resource is really a valuable asset for the progressive development of a nation. Provision of health care is an absolute responsibility of a welfare state; it is a basic infrastructure to be provided by the government to its citizens. India is equipped with medical educational institutions, hospitals and sophisticated medical technology and skilled doctors and para medical staff, hence medical services are much cheaper in India when compared to Kenya in both private and public sectors. Improving health not only increases productivity but also reduces wastage of man days; thereby it reduces cost of getting services and improves economic development. Hospital staff also can get on the job training which will improve better service delivery. Kenya govt by recognizing medical degrees and diplomas in India will reduce the shortage of medical professionals.

Policy Suggestions and Conclusion

Kenya's short run dependency for services on India may lead to deficit in current account balance of payment, but in the long run deficit can be reduced by many ways (1) Trained man power can give further training to the future generations in Kenya (2) Increases self-reliance in the long run (3) By deploying trained manpower in different sectors, the severity of unemployment problem can be reduced there by poverty rate can be curtailed and GDP growth rate will be accelerated. (4) The predominant existence of young population will yield demographic dividend to Kenya.

India by further reducing import and export duties will give greater relief to Kenya for reduction of deficit in balance of payments. It can be appreciated that India extended most favored nation treatment to Kenya from 1981, still further reduction of export duties will reduce inflationary pressures, thereby poor and middle class people also can buy imported goods (Indian goods), consequently standard of living can be enhanced.

Kenya govt should have proper human resource planning; the data on existing quality of manpower and the requirement for near future will be useful to formulate a road map to impart education, training and health services from India. Increasing operational efficiency of Kenyan airlines will reduce transport costs between both the nations. Visa restrictions may be further relaxed by both the nations by extending the validity of visa expire period .Reduce crime rate for enhancing human security, there by number of tourists will increase and service professional will come and give training in skills and talents. Increase transparency and corruption free environment will be useful to right number of people can get right opportunities which will be useful for accelerating human capital formation for speedy economic development.

References

Alan V. Deardorff (2001), International Provision of Trade Services, Trade, and Fragmentation, Volume 9, Issue 2 May 2001 Pages 233–248

Gary p Sampson and Richard H.Snape (2007), The World Economy, Volume 8, Issue 2, pages 171–182, June 2007

Theodore W. Schultz (1971) Investment in Human Capital, Free pr, New York, USA.

UNDP (2015), Work for Human Development, Human Development Report 2015, and Oxford University Press, New York, USA.