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RETURNS TO EDUCATION IN INDIA: AN EMPIRICAL ANALYSIS USING IHDS DATA

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Abstract

The present study estimates the rates of return to education in India using nationally representative IHDS (Indian Human Development Survey) dataset 2011-12. The wage equation and participation equation is estimated using OLS and Heckman two-step procedure to account for the chances of problem of sample selection bias. The results indicate that the returns to education increase at higher level of studies. It is predicted that a greater number of number of children and non-labour income increases the likelihood of being wage worker. The computer ability and English-speaking skills also create the wage differentials among individuals. It is recommended that government should improve the quality of education to ensure convex relationship between earnings and returns to education.

***Keywords*:** Returns to Education, Heckman Procedure, Wage Differentials, IHDS, India

JEL Classification: C20, I26, J24, J31

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INTRODUCTION

Return to education depends on the argument of human capital theory which asserts that individual would invest in education if the present value of expected

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