

Human Capital Development and Economic Growth : A Lesson from Nigeria.

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Abstract

The study examined the effect of human capital development and capabilities on economic growth and development in Nigeria. This included the analysis of the impact of health care delivery and education. Secondary data were used for the study and study covered a period of year 2000-2009. Statistical tools used in analyzing the data was correlation which revealed that investment in education and health has positive correction with economic growth and development. Conclusively, the study posits that formal education is highly instrumental and even necessary to improve the productive capacity of a nation.

Keywords: Human Capital, Human Development, Economic Growth

Introduction

The development of human capital resources is fundamentally pivotal to the take-off of any economy in the world. Modern economic trend placed high emphasis on the conscious and deliberate enhancement of human resources with a view to harnessing full employment, increase productions, reduction in poverty and achieve a broad economic growth and development underdevelop and untapped human capital has been the bone of sub-Saharan Africa economic take-off and the basis for our high level of poverty network and unrepentant segue

Awopegba (2003) noted that development planners are recognizing the development of human capital as an essential precondition for a country's economic, political and socio-cultured transformation. It is on this basis therefore, that human capital is considered as an engine of growth, agent of economic transformation, a catalyst of social reengineering and a base for economic take-off. Currently, Nigeria wishes to be among the first twenty most developed countries in the world by year 2020. To give effect to this, one of the pre-requisites is to ensure that capable manpower is available in various areas of social, political institutional, technological and economic endeavours which the process of growth development and industrialization.

Moreover, Human Development Report of UNDP (2008) shows that Nigeria is still at the low level of human development compared with countries in emerging economies. This is worrisome and it poses a threat to 2020 agenda. Education as a measure for quality, availability and human resource quality is the sole methods which can be used to analyze the impact of human resource on economic growth (Bennabib and Spiegel 1994). To many people, capital is in the form of bank account, financial and other income smarting physical asset. Jhingen (2005) points out that in the process of economic growth, it is customary to attach more importance to the accumulation of physical capital than human capital. These physical resources are forms of capital but aside these tangible capital resources are human capital resources as an aggregative of education or schooling, scholarly training and health care delivery. Therefore educational trainings are the most important factors in human resource development. Economist of ten uses the term human capital for education, health and other human capabilities that can enhance productivity (Todero and smooth, 2003) Lawonson (2009) points out that health and education are two closely related human capital component that work together to make the individual more productive. Hence, talking one component as more important than the other is unrealistic as a more educated individual, who is ill is as efficient as an illiterate but health individual.

Aigbokhna et al (2007) see education as a basic and obvious process by which skills, knowledge and attitude are acquired for the performance of socio-economic responsibilities, social integration, improving personal competence and seeking better opportunities.

However, human resources has been identified not only as a major growth determinate and a channel to ease poverty but it is also very important in building or improving the quality of human beings in general (Kasin et al 2010).

Although there are bilateral ties between human capital resources and economic growth, specific factors to link them is still lacking in the aspect of systematic exploration (Ramirez and Stewart, 1998) in their study Akita and Alisjahbone (2002) explain that areas having quality of human resources able to cope better when facing an economic crisis.

However, the economic rationale for investing in human resources derives from the belief that human resources play a key role in the process of economic growth. Toder and Smith (2003) emphasize that human capital must be given direct attention to its own right even in emerging economic. This clearly shows that the importance of this key concept contains not only just developing countries aspiring to break free from their various cycle of underdevelopment but also developed countries in pursuit of sustainable growth and development. However, investment in human capital means expenditure on health education and social services in general and in its narrower sense, it implies expenditure in education and training (Jhingon, (2005). Aigbokhan et al (2007) describe it as being concerned with the transformation of the total manpower to enhance his productivity.

Development of Human Resources in Nigeria

According to Ogunjuba and Adeniyi (2005), the Nigeria government primarily controls education right from the federal to the state and local government level. Lawanson (2009) explains that the Federal government is primarily responsible for the tertiary institutions although some States and private individual also fund and run this level of education. The National Policy on Education (NPE, 1988), as cited in Lawanson (2009), enunciated the importance of higher education in national development in Nigeria to include

- ❖ Contribute to National development through high level manpower training
- ❖ Develop and inculcate proper values for the survival of the individual and the society
- ❖ Promote and encourage scholarship and community service
- ❖ Forge and cement national unity
- ❖ Promote national and international understanding and interaction
- ❖ Development individuals intellectual capacity to understand and appreciate their local and external environments
- ❖ Promote and encourage scholarship and community services

These set goals are expected to be achieved by tertiary institution through teaching, research and development, sustainable staff development programme, generation and dissemination of knowledge and variety of modes of programs (Lawanson 2009). He further observes that the National Economic Empowerment and Development Strategy (NEEDS), which is presently Nigeria development plan and poverty reduction strategy, stipulates a goal of increasing government 's budgetary allocation to health and education from 8% to 10% between 2004 and 2007 while listing selected targets, education and health are rightfully noted as worthy of closer attention. NEEDS is to address the crucial issue to improve education infrastructure, expand institutional capacity to produce quality manpower and expand total school environment.

Classical Theories of Growth and Human Capital

Adam Smith, David and J.S. Mill (2004, 2006 & 2009) respectively contested to this theory. Adam Smith formed the basis for all succeeding growth theories but the main strand of his theory was the exploration of capital accumulation, population growth and labour productivity (Adeliman, 2003) Ricardo David (2006) modify Smith's mode by including diminishing productivity of land, as land varies in quantity and is fixed in supply, Ricardo records postulated that economic progress limits upon capital formation on the productivity of labour (Brenner 2000).

Moreover, economic growth starts with a growing population and high food price. Every increase of capital and population will lead to a general rise in food production. The results of the rise in the demand for food will be a rise in wages and every rise in wages will have a tendency to determine the saved capital in a greater population than before the employment of machinery. Machinery and labour are in constant competition and the former can frequently not be employed until labour rises (Brenner 2002)

Neo-Classical Growth Theories.

The neo-classical theory considers the economy as inherently stable and tending to full employment, such model,

consider factor prices to be flexible in the long run, causing factor substitution response to such price changes. However emphasis is placed on case of substitution between capital and labour in the production function to steady state growth, so that the problem of instability found in Harrods Doman's growth model, because of the assumed fixed capital to labour co-efficient avoided (Pearce 200).

Problem statement

The labour market is influenced by several factors such as the current sector as the manufacturing sector. In Nigeria there has been growing concern of large army of unemployed and too much emphasis of government on higher education to the neglect of primary and secondary education leading to imbalance and a waste of resources in the unemployed graduates. Yet no nation develops without systematically building and putting into production the use of human capital.

Also, government expenditure on health over the years has been toward temporary health care. Public health expenditure leans towards teaching hospital, tertiary medical centre and not primary health care delivery have more positive impact in income of a nation, both at the micro economic level and macro- economic level.

In this study evidence will be presented to demonstrate the economic growth and human capital are interdependent. The level of skills and training as opposed to the level of employment and wages will be analyzed critically. The challenge is to continuously develop human capital to its full potential. The specific objectives of the study to identify the nature of human capital development in Nigeria, to evaluate the effect of human capital and capabilities on economic growth development in Nigeria which includes analysis of the impact of health care delivery and education and lastly to investigate the effectiveness at capital indicators in improving economic growth in Nigeria

Study Methodology

Secondary data was used in the study and the variable collected mainly from the publication of the Central Bank of Nigeria (CBN) such as the annual report statement of account and the statistical bulletin etc. the study, period covered the year 2000-2009 and then data requirements include Expenditure on Education (X1), Expenditure on Health (X2), Investment (IX3), Inflation (IX4) and Growth Domestic Products (GDP). The study covered the period of year 2000-2009 and the data were analyzed through correlation analysis.

Model specification

$$Y = a_0 + a_1 X_1 + a_2 X_2 + a_3 X_3 + a_4 X_4 + E_r$$

Where

Y = GDP

X₁ = Education Expenditure

X₂ = Investment

X₃ = Health Expenditure

X₄ = Inflation rate

A₁₋₄ = Error term

DATE ANALYSIS AND DISSENSION

Correlations

		Y	X1	X2	X3	X4
Y	Pearson Correlation	1	.932**	.963**	-.365	.729*
	Sig. (2-tailed)		.000	.000	.300	.017
	N	10	10	10	10	10
X1	Pearson Correlation	.932**	1	.995**	-.490	.737*
	Sig. (2-tailed)	.000		.000	.151	.015
	N	10	10	10	10	10
X2	Pearson Correlation	.963**	.995**	1	-.471	.735*
	Sig. (2-tailed)	.000	.000		.170	.015
	N	10	10	10	10	10
X3	Pearson Correlation	-.365	-.490	-.471	1	-.177
	Sig. (2-tailed)	.300	.151	.170		.625
	N	10	10	10	10	10
X4	Pearson Correlation	.729*	.737*	.735*	-.177	1
	Sig. (2-tailed)	.017	.015	.015	.625	
	N	10	10	10	10	10

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

From the above result, the structural variable was able to explain economic growth as represented by theory coefficients except expenditure on health which indices a negative relationship with human capital development. Other variable have signicneces relationship with human capital development. An increase in any of these various will bring on increase in output. The implication of the result is that heath is to expected to contribute to human development jut due to improper provision of medical facilities such as drugs, equipment, and trained medical personnel health is therefore insignificant to economic growth expenditure on education has the highest positive impact on capital development.

Conclus Ion and Recommendation

Economic growth rate through investment in human capital indexes such as education, health and investment in physical capital should be taken seriously by developing nations. The bedrock of sustaining economic development has universally bean agreed to be education and health. Moreover, government should provide easily environment by ensuring macro economic stability that will encourage increased investment in human capital by individuals and private sector.

Conclusively the study reveals that human capital development is a critical instrument in a nation for technological and economic development and also assessed the structure and characteristics of both health expenditure and investment in education in terms of graduate of tertiary institutions in Nigeria.

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