

HUMAN CAPITAL DEVELOPMENT AND ECONOMIC GROWTH IN NIGERIA

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Abstract

The importance of human capital development to the growth and development of economies cannot be over-emphasized. Human capital development is the process of acquiring knowledge, skills and other experiences which are needed to produce economic values. The Sustainable Development Goals (SDGs) launched few years ago among other things, seek to improve human capital as it includes quality education for all and improvement in health and well being which are part of human capital development. This paper discusses the impact of Human capital development on the economy of Nigeria. Evidence from extant literature revealed that human capital development has a positive and significant impact on Nigeria's economy. In addition, a long run co-integration exists between human capital development and economic growth. However, from World Bank's report, Nigeria has a low Human Capital Index (HCI) of 36% which is below 56% set standard. This calls for the improvement in human capital development in the country. This paper concludes with suggestions that the government of Nigeria should continue to improve the quality of education and health care. Furthermore, the government should encourage private sectors whose activities have aided human capital development in Nigeria.

Keywords: *Economic Growth, Human Capital Development, Human Capital Index, Sustainable Development,*

Introduction

The role that human capital development plays in the growth and development of economies cannot be over-emphasized. No country has achieved sustained Economic growth without investment in human capital. According to Panwar (2022) “human capital refers to the stock of skill, ability, expertise, education, and knowledge in a nation at a point in time. The term human capital as used by Economists stands for education, health and other human capabilities that can enhance productivity (Chani et al, 2015). In what follows, the quality of human resources means the state of education, health and other human capabilities that can increase productivity. The study in Moock et al., (2003) revealed that on the average, the return on education is reflected on the increase in earnings. They observed that the returns on education are higher for female than on male. “It is also observed that wages obtained by educated workers are to an extent above the average income level” (Adesoye et al., 2010). Those with higher education seem to earn and experience tend to earn higher salaries at the microeconomics level (OECD, 2020). Literature is filled with analysis of the impact of Human capital development on the economic growth and development of different economies.

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This study aims at discussing the impact of human capital development on economic growth, especially in the Nigerian context.

Human Capital Development

Development has to do with the periodic growth of something. It is also defined as a directed change. Human development refers to the process of improvement in human beings. Moses and Adeniyi (2010) described human capital development as an objective of development. It implies the empowerment of citizens and also enabling them to develop themselves. By so doing, the enlargement of the capability of the people is achieved. It is noted that “Human capital development is the deliberate and continuous process of acquiring requisite knowledge, skills and experiences that are applied to produce economic value for suitable national development”, (Eigbiremolen & Anaduaka, 2014). They stated that Human capital development can be achieved through the following

- Provision of organized formal education at the primary, secondary and tertiary levels.
- Provision of on-the-job training
- Migration of individuals and families
- Provision of health facilities and services.

Economic Growth

Growth is an increase in size which cannot be reversed. Growth also refers to the positive progress of a business and organization of a country. According to Amadeo (2016), “Economic growth has to do with how much more the economy produces in a particular year than it did before in the previous year. He stated that the economy grows when it produces more. With this growth, businesses get more capital to re-invest and hire more employees. Economic growth can therefore be seen as the annual increase in the real per capita income (real GDP per capita or output per person) of a country over a period of time. This is measured using annual real GDP. Investment, human capital, Research & Development activities, trade openness, Foreign Direct Investment (FDI), institutional framework, political factors and socio-cultural factors are some of the determinants of economic growth (Akaakohol & Ijirshar, 2018).

Human Capital Development and Economic Growth

A nation’s socio-economic and political transformation depends on human capital development. An impressive commitment to human capital formation is observed to be a causal factor responsible for the impressive performance of the economies of most developed and developing countries (Zhang & Zhuang, 2011). Improvement in knowledge, skills and capabilities acquired through education and training by all the people of these countries are some of the reasons for this achievement. Both neoclassical and endogenous growth models support the role played by human capital (Chani et al., 2012). According to Adelakun (2011), “human capital is a critical variable in the growth process and worthy of development”. They are not only means but more importantly, the ends that must be served to achieve economic progress. In the same vein, Adeyemi and Ogunsola (2016) opined that human capital is the main reason for the accelerated growth and expansion in the economies of many nations. This according to them gives the best advantages to these nations for providing the best situations for work and lifestyles.

Pamwar (2022) gave the following advantages of human capital development:

- **Inventions, innovations, and technological improvement:** Human capital development leads to more innovations in the area of production activities. This results in more growth. It also creates the ability to absorb new technologies.

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- **Higher productivity of physical capital:** Productivity of labour is increased through Human capital development. Trained workers find it easy to use the physical capital (like machines) more efficiently.
- **Increase in Production:** The formation of human capital leads to economic growth by raising production level. This adds to the GDP of a country.
- **High rate of participation and equality:** The formation of human capital leads to a high rate of participation in the labour force. This addresses the problem of inequality between the poor and the rich.
- **Improvement in the quality of life:** Income and health are indication of quality of life and this depends upon the level of education and skill formation. The quality of life of individuals is improved through the formation of human capital.

Measurement of Human Capital

Human capital is best measured using Human Capital Index (HCI). The World Bank (2020) stated that “HCI measures the amount of human capital that a child born today can expect to attain by age 18”. On the average globally, a child is expected to be 56% productive as she would be if she was given a complete and full education and health.

Facts of Human Capital Development in Nigeria

Table 1. Human Capital Index by Gender and Socio-economic Group in Nigeria.

Component	Boys	Girls	Overall
HCI	0.36	0.37	0.36
Survival to age 5	0.87	0.89	0.88
Expected Years of School	10.3	10.1	10.2
Harmonized Test Scores	310	308	309
Learning-adjusted Year of School	5.1	5.0	5.0
Adult Survival Rate	0.64	0.68	0.66
Non stunted Rate	0.61	0.66	0.63
HCI Ratio Richest/Poorest 20%			

Source: *The World Bank (2020)*

As shown above, the overall HCI for Nigeria is 0.36 which is below the average HCI of 0.5 for Sub-Saharan Africa (SSA) region and that of Lower Middle Income Countries (LMICs). The implication of the HCI for Nigeria is that a child born today will be 36% productive when he or she grows up, as the child could be if he or she is given full education and health (World Bank, 2020). In addition, the success recorded in the implementation of Millennium Development Goals (MDGs) led world leaders to the adoption of Sustainable Development Goals (SDGs) in September, 2015. One of the aims is to end poverty and hunger. In order to achieve this goal the framework includes the improvement in education, health and social protection as well as the creation of job opportunities. Nigeria was not left out as the states have incorporated sustainable development goals into their medium and long term development plans. The third goal of the SDGs (SDG3) is on good health and well-being. Nigerian government has put in a lot of efforts toward the improvement of the health sector. Nigeria recorded a reduction in the under- five mortality rate from 157 to 132 before the recent Covid-19 pandemic slowed down this progress (SDGs, 2020). On the other hand, the fourth goal (SDG4) focuses on the achievement of quality education. SDGs review (2020) shows regional disparity in education as 78% of children in the western region of Nigeria could read full or partial sentences as against 17% of children from the north, The studies

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in Mohammad and Kani (2017) suggests that for quality education to be achieved in Nigeria, the government should increase the budgetary allocation to education, recruit professional and qualified teachers and provide adequate and quality educational facilities.

Education and health play major role in the improvement of human capital in nations. Education increases the productivity of workers while the improvement of health care will keep the workers fit to carry out their jobs effectively.

Review of Literature

This study relies on the empirical works of some scholars on the relationship between human capital development and economic growth which are reviewed below:

Evidences of the relationship between Human Capital development and economic growth in Nigeria.

Jaiyeoba (2015) examined the relationship between human capital investment and economic growth in Nigeria using time series data from 1982 to 2011. The study used trend analysis, Johansen co-integration and ordinary least square technique. It revealed that there is a long-run relationship between government expenditure on education, health and economic growth. In a similar study, Adeyemi and Ogunsola (2016) examined the impact of human capital development on economic growth in Nigeria using time series data from 1980 to 2013. The ARDL Co-integration analysis technique was used to estimate the model in the study. The study revealed that a long-run co-integration exists among the variables. And that there is positive long-run relationship among secondary school enrolment, public expenditure on education, life expectancy rate, gross capital formation and economic growth. In addition, Akaakohol and Ijirshar (2018) carried out a study on the impact of human capital development on economic growth in Nigeria using data covering the period of 1981 to 2015. The study employed Augmented Dickey Fuller test, Johansen co-integration test, and Error Correction test as well as impulse response/variance decomposition for the analysis. The data for the variables were not stationary at first but became stationary after the first differencing. A bi-directional relationship between was found to exist between economic growth and government expenditure on health and government expenditure on education. A long-run positive relationship between human capital development and economic growth in Nigeria was found. The study proffers that Nigerian government should ensure a sustained increase in investment in education and health and government should encourage private investment in the sectors,

Uzodigwe et al., (2019) in their study reiterated that increased founding of education is needed to fully maximize the impact of human capital development on the growth of Nigerian economy. Applying the Ordinary Least Square (OLS) estimation technique on data from 1980-2015, they discovered that a significant and positive relationship exists between labour, government expenditure on education and health and economic growth. They argued that the salaries of the teachers should be increased and government should also increase its funding of education sector in Nigeria. The work in Toyosi (2020) examined the impact of human capital development on the Nigerian economy. Using Augmented Dickey Fuller (ADF) test and Autoregressive Distribution Lag (ARDL) techniques on time series data from the period of 1981-2017, it was observed that human capital development, labour force participation and remittances had significant and long run impact on economic growth in Nigeria. The study in Keji (2021) investigated the nexus between human capital and economic growth in Nigeria using data from 1981-2017. He discovered that this period had poor policy which affected education and health

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sectors of the economy. Vector Autoregressive Correction Model and Johansen Co-integration techniques were employed. It reveals that human capital had a significant and long run impact on economic growth in Nigeria. They among other things proffer that the government of Nigeria should increase budgetary allocation to education which will in turn lead to an improvement in human capital skills. Oladeji et al., (2022) investigated the direct impact of human capital development on the Economic Growth of some selected Sub-Saharan Africa countries using Panel Least Square method of estimation on data from the period of 1981-2020. They found that a significant and positive relationship exists between human capital and economic growth and recommend that human capital should be strengthened because of its impact on economic growth. The findings from scholars reviewed above have shown that there is a significant, positive and long-run relationship between human capital development and economic growth, especially in the Nigerian context. This shows that investment in human capital accelerates economic growth due to its positive impact on the productivity of labour.

Conclusion

This paper discussed the impact of human capital development on economic growth in Nigeria. The reviewed extant literature revealed that human capital development relates to economic growth in Nigeria. In addition, some scholars observed that a significant and long run relationship exist between human capital development and economic growth. Human capital is a stock of skill, ability, expertise, education, and knowledge in a nation. Human capital development enhances the skills, knowledge, productivity, creativity and inventiveness of citizens. Economic growth is the annual increase in a nation's real income over a period of time. Human capital development can bring about inventions, innovations, higher productivity of physical capital, increase in production, amongst others.

Recommendations

Based on the review of the evidence from extant literature in this study, the following recommendations are made:

- The government of Nigeria should continue to improve human capital development.
- The government should ensure that the budgetary allocation of 26 percent prescribed by the United Nations Development Programme (UNDP) is assigned to education in Nigeria.
- Government should encourage quality education in Nigeria by employing qualified and professional teacher and by providing educational facilities that are of quality.
- Health care sector in Nigeria should be improved as this contribute immensely to the development of human capital.
- There is need for the government of Nigeria to continue to provide an enabling environment for the private sector by ensuring macroeconomic stability that will encourage and increase their investment in human capital.
- The Nigerian government should increase spending on social and economic infrastructure. This will aid in improving the efficiency of workers which will further lead to economic growth.

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