

Analysis of the Implication of Human Capital Development on Economic Growth in Nigeria

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Abstract

This research aimed at examining the effect of human capital development on the growth of Nigeria economy. Using co-integration techniques to investigate the effect of human capital development and economic growth in Nigeria, we observed that there is significant long-run relationship between human capital development and economic growth in Nigeria. This is confirmed by the Johansen co-integration. The vector error correction model (VECM) indicates that 1% increase in the government expenditure on education (TEDU), on the average, led to 23.8% increase in GDP while 1% increase in the government expenditure on health (THEA) caused 37.6% decrease in GDP. The two variables, as human capital development factor, were found to have significant effect on economic growth. However, government expenditure on education has positive relationship with GDP. This implies that increase in expenditure on education contributes positively to the growth of the economy. The policy implications are in three directions: To retain the continuous long run relationship with GDP and human capital development, effort should be made to harmonize the activities in the health and education sector with much attention on funding; Government expenditure on education was found to have positive effect on the economy. In the light of this, government should try as well to meet up with world standard benchmark on education expenditure in the annual budget. In so doing, this will improve on the economy and Government expenditure on health was found to have negative effect on the economy. Therefore, effort should be made by government to address the agitations by the health workers which always make them to resort to frequent strike actions. If these worrying issues are looked into, perhaps the instability experienced in the health sector would be addressed. Efforts should be made to equip our health sector so that capital flight in the name of foreign medical treatment is reduced.

Keywords: Human Capital development, Government Expenditure on Education, Government Expenditure on Health, Nigeria.

Introduction

In developing countries, such as Nigeria, the role of government is important, both scope and significance, for accelerated economic growth. Economic growth is fundamental for sustainable development. It is usually difficult for a country, especially a developing country, to improve the quality of life of its growing population without economic growth. This latter aspect of growth is mainly achieved by the expansion and repair of infrastructures, the improvement of education and health services, and the encouragement of foreign and local investments, among others (Saad and Kalakech, 2009). Hence, sustained and equitable economic growth is clearly a predominant objective of public expenditure policy. Many public programs are specifically aimed at promoting sustained and

