ANALYSIS OF HUMAN ASSET DEVELOPMENT IN NIGERIA, 1980 - 2014: IMPLICATION FOR ECONOMIC GROWTH

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Abstract

The paper examines the role of human Asset development on economic growth in Nigeria for the period, 1980-2014. It stresses that the near absence of sustainable human asset development in Nigeria has negatively affected indices of development thereby leading to poor performance. The study employs ordinary least square and found that economic growth had a negative and significant response to changes in education expenditure (0.44%) contrary to its 0.60% response to government expenditure on health. Consequently, government may consider increase in budgetary allocations to the education and health sectors in order to boast human asset development.

Keywords: Human Capita Development, Economic growth, education expenditure, health expenditure and OLS.

Human asset is a vital component for growth process in any economic and there is no theoretical disagreement in the literature among economists on the issue. The state of human asset in Nigeria has been unimpressive as both education and health outcomes

have been in a deplorable and parlous state. Several international ratings have showed that Nigeria's health outcomes when put in the global content reflect a hopeless situation. In 2004, Nigeria ranked 187 out of 191 countries and 74 positions out 115 countries assessed in 2011. Although, budgetary allocation to health and education sectors over the years has remarkably increased and efforts towards improving human asset has been made, these efforts have not translated into human asset development and this has affected a number of indicators of growth in Nigeria.

For instance, the world's per capita income as of 2010 was about $8,000. Comparing this to Nigeria's per capita income of $280 makes the country one of the poorest in the world. This relegated Nigeria to the similar ranks with Togo ($270), Rwanda ($220) and Mali ($210). Other indicators of development, such as life expectancy, for which Nigeria was ranked 155th out of the world's 177 countries, and infant mortality for which Nigeria was ranked 148th among 173 countries were consistent with Nigeria's low rank in income per capita (United States Central Intelligence Agency, 2009). Nigeria Gross National Product (GNP) of $510 billion as at 2013 is the highest in Africa but also has high income inequality with attendant low standard of living for the populace. For instance, income inequality in Nigeria in 2014 stood at 28.4% with a living standard of 40.8% compared to Ethiopia with inequality of 9.5% and a standard of living of 47.4% as well as 28.2% income inequality for DR Congo with a living standard of 53.4% (World Bank, 2015).

Essentially, Nigeria has been classified as a poor nation; a situation which can be described as a bewildering paradox given the vast resource base of the country. The National Bureau of Statistics (NBS) reported that the percentage of people living in poverty increased from 27.2% in 1980 to 65% in 1996. By 2010, the poverty level had increased to 69% indicating that about 112.5 million Nigerians are living below the poverty line (NBS, 2010). According to the World Bank (2014), people living below poverty line in Nigeria in 2012 was put at 46.0% while extremely poor people was estimated at 50.9% in 2013 compared to 44.9% in Namibia and 2.9% in Brazil. This development is very worrisome considering the fact that Nigeria is the seventh largest oil producing country in the world but yet harbors the largest population of poor people in sub-Saharan Africa (SSA). In terms of human development index, Nigeria was ranked 51% compared to 58% for Ghana and 67% for South Africa (World Bank, 2014). Using selected world development indicators, the life expectancy at birth in 2010 for male and female in Nigeria was 46 and 47 years respectively or averagely 50.95%. In 2014, life expectancy stood at 52.8% for Nigeria compared to 61.4% for Ghana, 58.7% for DR Congo, 55.5% for Cameron and 59.7% for Togo.

Between 2000 and 2007, about 27.2% of children below five years of age were malnourished. This is alarming compared to 3.7% between the same periods in Brazil, another emerging economic (Aiyedogbon and Ohwofasa, 2012). In 2014, the mortality rate for children below five years of age per 1000 live birth was given as 64.3% for Nigeria. This situation is very ridiculous compared to the figures of 55.5% for Togo,

52.3% for Ghana, 60.8% for Cameron and 32.8% for South Africa. Thus with dismal performance of all or major indicators of growth, the dream of the government to achieve sustainable economic growth through human asset development will continue to be a mirage. It is for this reason that the study is undertaken. The objective of the study therefore is to assess the role of human asset in economic growth in Nigeria. Consequently, the sequence of the paper is clear. Following the introduction, section two contains brief review of related literature while section three presents the model. Section four discusses the findings and section five concludes the paper with policy remarks.

Literature Review

The concept of human asset has been defined as the abilities and skills of human resources of a country. These entail the process of acquiring and increasing the number of persons who have the skills, education as well as experience that are critical for the economic and the global competitiveness of a country (Okwoli, 2014). Empirically, Babatunde and Adefabi (2005) investigated the long run relationship between education and economic growth in Nigeria from 1970 and 2003 using co-integration and vector error correction methodology (VECM). The paper examined two different channels through which human asset can affect long run economic growth in Nigeria. The first channel is when human asset is a direct input in the production function and the second channel is when the human asset affects the technology parameter. The co-integration result establishes a long run relationship between education and economic growth while the VECM results reveal that human asset has a positive effect on productivity growth in Nigeria. In a recent study,

Otu and Adenuga (2006) scrutinized the relationship between growth and human asset development from the period 1970-2003. The study employed co-integration and error correction model using variables such as real gross domestic product (real GDP), asset and recurrent expenditure on education, real gross asset formation and enrolment into primary, post-primary and tertiary institutions used as proxy to human asset development. They found that investment in human asset through the availability of infrastructural requirements in education sector accelerates economic growth. In a similar study, Lawanson (2009) investigated the impact of human asset on economic growth for the period 1983-2007. Using co-integration and error correction model, the paper found that while expenditure on health and primary school enrolment exert negative impact on economic growth, government expenditure on education, enrolment into post-primary and tertiary schools positively affect economic growth in Nigeria. Ohwofasa, Obeh and Atumah (2012) scrutinized the relationship between government expenditure in the education sector and economic growth in Nigeria for the period 1986-2011. Employing co-integration and error correction mechanism (ECM), they found that co-integration result shows long run relationship between the variables. And whilst ECM results among other things indicated that recurrent expenditure

exhibits positive impact on economic growth, the same cannot be said of asset expenditure on education.

The Model

The study adopts a variant of ordinary least square method to assess the relationship between human asset and economic growth in Nigeria. Consequently, government expenditure on education and health were used as proxies for human capital. The data which spanned 1980-2014 sourced from various issues of annual report and statement of account of Central Bank of Nigeria are measured in million of naira. The econometric package is eview 8.0 PC for window. The model is specified as follows:

$GDP = f(GEE, GEH)$……(1)

In log stochastic form, equation (1) becomes:

$InGDP_t = \beta_0 + \beta_1 InGEE_t + \beta_2 InGEH_t + \varepsilon_t$……..……..(2)

Where:

GDP_t = real gross domestic product at time t

GEE_t = government expenditure at time t

GEH_t = government expenditure at time t

β_0 = constant while β_1 and β_2 are parameters to be estimated

A positive relationship is expected between economic growth and government expenditure on education as well as on health.

Presentation and Discussion of Results

Table 1 contains the results showing the impact of education and health expenditures on economic growth. The DW statistics of 2.19 reveals absence of serial correlation which is further supported by the diagnostic tests that rejected serial correlation hypothesis. Also, the F-statistics shows that the model is jointly significant while the R^2 indicates that about 76% variation in economic growth is explained by government expenditure on education and health during the review period.

Table 1: Dynamics OLS Estimation

Dependent Variable: LGDP

Variable	Coefficient	std error	t-statistics	Probability
Constant	11.74	0.57	20.63	0.00
LGEE	-0.44	0.15	-2.88	0.01
LGEH	0.60	0.22	2.73	0.01
R^2 = 0.76, F-stat = 51.9, DW = 2.19				
Diagnostic test		F-stat	Probability	
Serial Correlation LM test:		0.09	0.91	
ARCH LM Test:		0.32	0.56	

Source: Extracted from Eview 8.0

The positive constant reveals that in the absence of the independent variables (education and health expenditures), economic growth is still positive. It can be seen from Table 1 that while education expenditure exert negative impact on economic growth, health expenditure is positively correlated with the later and both variables are statistically significant. A 1% increase in education expenditure reduces economic growth by 0.44% while a unit increase in health expenditure increases economic growth by 0.60%. Ohwofasa et al (2012) had earlier reached a similar finding. The result is not surprising because the type of education in Nigeria cannot bring about development.

For instance, most pupils study under trees especially in the rural areas and there is a near absence of instructional materials in tertiary institutions. This is coupled with dilapidated infrastructures. The decays in public schools have given rise to proliferation of private schools that most families cannot afford to send their children. Although, the health sector seems contributing positively to economic growth, it is not better either as the state of health facilities in Nigeria is one of the worst in the world. The implication of all these is poor human assetdevelopment whose contribution to economic growth is very little.

Conclusion

The paper focuses on the role of human asset development on economic growth in Nigeria. The study argues that the enabling environment in Nigeria does not give rise to sustainable human asset development. The result is that indices of development perform very poor. The major conclusion therefore is that the Nigerian economic is underperforming because human asset is underdeveloped.

Recommendation

The study therefore recommends that conducive environment for learning should be provided by way of increasing budgetary allocations to the education and health sectors.

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Appendix

Appendix 1: Regression Estimate

Year	GDP	GEE	GEH
1980	31546.8	1549.8	302.5
1981	205222.1	984.6	248.2
1982	199685.3	1135.1	286
1983	185598.3	967.4	279.6
1984	183563	861.2	190.2
1985	201036.3	850.2	223.9
1986	205971.4	1094.8	360.4
1987	204806.5	653.5	236.4
1988	219875.6	1084.1	443.2
1989	236729.6	1941.8	452.6
1990	267550	2294.3	658.1
1991	265379.1	1554.2	757
1992	271365.5	2060.4	1025.4
1993	274833	7999.1	2684.5
1994	275450.6	10283.8	3027.8
1995	281407.4	12728.7	5060.9
1996	293745.4	15351.8	4851.5
1997	302022.5	15944	5803
1998	310890.1	26721.3	11984.3
1999	312183.5	31563.8	16180
2000	329178.7	67568.1	18181.8
2001	356994.3	59744.6	44651.5
2002	433203.5	109455.2	63171.2
2003	477533	79436.1	39685.5
2004	527576	93767.9	59787.4
2005	561931.4	120035.5	71685.4
2006	595821.6	165213.7	105590
2007	634251.1	197644.2	178864.2
2008	672202.6	212820.1	195432.4
2009	718977.3	180521	142785.4
2010	776333.2	258700	134183.1
2011	834000.4	371221.5	271383.2

2012	888890.1	396026.3	242906.2
2013	945666.3	390004.2	244633.4
2014	954221.4	401123.6	321145.7

Appendix 2: Regression Estimate

Dependent Variable: LOG(GDP)
Method: Least Squares
Date: 08/02/16 Time: 05:08
Sample: 1980 2014
Included observations: 35

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	11.74376	0.569206	20.63182	0.0000
LOG(GEE)	-0.442734	0.153636	-2.881707	0.0075
LOG(GEH)	0.596578	0.218684	2.728036	0.0103

R-squared	0.764485	Mean dependent var	12.74131
Adjusted R-squared	0.749765	S.D. dependent var	0.669960
S.E. of regression	0.335138	Akaike info criterion	0.733265
Sum squared resid	3.594149	Schwarz criterion	0.866580
Log likelihood	-9.832136	F-statistic	51.93609
Durbin-Watson stat	2.189047	Prob(F-statistic)	0.000000