EFFECTS OF HEALTH INVESTMENT ON ECONOMIC GROWTH IN NIGERIA, 1977-2004.

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ABSTRACT

The study appraised the various health policies of the government in Nigeria and assessed the trend and pattern of government spending on health during the period 1977-2004. This was with a view to determining the short run and long run effects of investment in health on economic growth.

The study used secondary data collected from Statistical Bulletin of the Central Bank of Nigeria (CBN), and the International Financial Statistics (IFS) published by the International Monetary Fund (IMF). Time series properties of the variables were analyzed using the Augmented Dickey-Fuller test. Co integration and Vector Error Correction Techniques were employed to empirically determine the impact of health spending on economic growth.

The findings showed that several health policies had been put in place in Nigeria in the various development plans but some of the policies were not well implemented. For instance, in the fourth development plan, there was to be a provision of adequate and effective primary health care for the entire population and the goal was to achieve 80% coverage of the whole country by 1985 and 100% by the year 2000 but this was not fully achieved. The study further revealed that government spent more on payment of wages and salaries than on capital projects. Recurrent expenditure as a percentage of total health spending was 60% in 1978 and 84% in 2003 while capital expenditure was 40% in 1978 16% in 2003. The results of the Vector Error Correction Model showed that, the short run, the impact of health expenditure on economic growth did not converge to the long run growth ($t = 3.09$, $p < 0.05$). In the long run, health

expenditure in real terms had a positive and significant impact on the economic growth ($t = 4.56$, $p < 0.05$). The findings also showed that private investment had a positive and significant influence on the economic growth ($t = 31.86$, $p < 0.05$) while the degree of openness had a negative and significant influence on the economic growth in the long run ($t = -6.92$, $p < 0.05$).

The study concluded that there was high prospect for investment in health to boost economic growth if government invested more in this aspect of human capital rather than physical capital.