

EFFECTS OF HUMAN CAPITAL DEVELOPMENT ON ECONOMIC GROWTH IN NIGERIA (1970-2004)

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ABSTRACT

The study examined the pattern of investment in health and education and assessed their effects on economic growth with a view to analysing the effects of government investments in human capital on the growth process of the Nigerian economy.

Secondary data were used for the study. Annual data on gross domestic product (GDP), capital expenditures on education and capital expenditures on health for the period between 1970 and 2004 were obtained from the statistical bulletins published by the Central Bank of Nigeria (CBN) and the Annual Abstract of Statistics published by the National Bureau of Statistics. Both descriptive statistics and econometric techniques were used to analyse the data. To avoid spurious regression, the time series properties of variables were subjected to stationarity test using Philips-Perron test and Augmented Dickey Fuller test. Cointegration test was applied to check for the long-run relationship among the integrated variables. The estimation techniques used were Ordinary Least Squares and Error Correction Model (ECM)

The results of the study indicated that recurrent expenditures on education as percentage of total expenditure on education was on the average 67 percent, while the capital expenditure on education as percentage of total expenditure on education was 40.4 percent. The recurrent expenditure on health as a percentage of total expenditure on health was on the average 58.2 percent while the capital expenditure on

health was 38.1 percent. The primary school enrolment formed a major part of the total school enrolment but with a relatively low growth rate of 1.00 percent on the average. The growth rates of secondary school enrolment and tertiary school enrolment averaged 2.5 percent and 2.8 percent respectively. The results also showed that capital expenditure on health was significantly and positively associated with economic growth ($t=3.70$, $p<0.05$). The capital expenditure on education was positively related to economic growth but not significant ($t=0.18$, $p>0.05$). The tertiary school enrolment variable was positively related to economic growth but not significant ($t=1.28$, $p>0.05$). The coefficient of error correction term was -0.46 and was significant ($t=3.16$, $p<0.05$) and this implied that 46 per cent of any disequilibrium in economic growth in the previous year was adjusted for in the following year.

The study concluded that effects of human capital development components of health and education were mixed. On the one hand, the health component impacted positively on the growth process; on the other hand, the education investment expenditure; had not contributed significantly to economic growth in Nigeria.