The Impact of Human Capital Formation on Economic Growth in Nigeria

By

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Although several theories of endogenous growth point towards a positive effect of human capital on growth, empirical evidence on this issue has been mixed. Despite various efforts of the successive Nigerian governments, virtually all indices of human development especially those of health and education are embarrassingly low. These indices include infant and maternal mortality rates, life expectancy at birth, population per physician, adult literacy rate and gross primary and secondary enrolment ratio. In the same vein, the level of resource commitments to health and education compare very unfavorably with the situation in other developing countries. Using the human capital model of endogenous growth developed by Mankiw, Romer and Weil (1992), this paper examines empirically the impact of human capital formation on economic growth in Nigeria. The paper employed a variety of analytical tools, including unit root tests, co-integration tests and error correction mechanism (ECM). Empirical results indicate that there is, indeed a long-run relationship among labour force, physical capital investment proxied by real gross domestic capital formation, proxied by enrolment in educational institutions and economic growth in Nigeria. Findings show that there is a feedback mechanism between human capital formation and economic growth in Nigeria. The policy implication of the findings is that governments should place a higher priority on human capital development. Efforts should therefore be intensified to increase investment in human capital to achieve the growth which would engender economic development. Most importantly, education should be given prominence in Nigeria's developmental efforts, in order to propel the economy to higher levels of productivity.