

The Impact of Human Capital Formation on Economic Growth in Nigeria

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ABSTRACT The importance of human capital formation concept on economic growth cannot be over emphasized and have been the fulcrum of aid and assistance by international agencies and developed countries. Furthermore, evidence from developed countries suggests that human capital has been the major driver of their development process. This notwithstanding, the impact on economic growth in Nigeria has been a subject of debate. Using the Error Correction Model as an analytical tool, this paper examines empirically the relationship between economic growth and human capital development. The study made use of secondary data and examined the time series characteristics of the variables selected, to avoid the problems of spurious correlation often associated with non-stationary time series to concurrently generate long-run equilibrium relationships. In order to achieve linearity, logarithmic calculations were used to examine the variables. Generally, the estimation of the model showed that the variables included in the model provided basic information on the nature of impact on economic growth. Findings also showed that investment in human capital in the form of education and capacity building at the primary and secondary levels impact significantly on economic growth, while capital expenditure on education was insignificant to the growth process. The paper recommends that educational institutions in Nigeria should be re-structured for quality schooling at the primary, secondary and tertiary levels. In a competitive and globalized economy, this will require strategic planning, increase in capacity utilization by the education sector and rebasing of growth fundamentals.