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Analysis of socio-economic spending and human capital development nexus in Nigeria

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Abstract

This study examines the impact of Economic and Social Sector Expenditures on Human Capital Development in Nigeria from 1981 to 2018. The Autoregressive Distributive Lag Model was applied in the analysis. The results reveal that the lagged values of government economic expenditure, student – teachefr ratio, external aid and per capita income impact significantly and positively on current level of development in human capital, while, government social expenditure, inflation, current value of student – teacher ratio and lagged value of external aid show a negative relationship with human capital development. In view of the above findings, the study recommends that social expenditure should be given more serious attention, while adequate measure should be taken to ensure that economic expenditure yield its preferred results. The study concludes that resources should be properly channeled (and monitored) to areas of expenditure that would boost human capital development in Nigeria.

1 | INTRODUCTION

Human capital can be viewed as the skills and ability of human beings directed towards production process. It is a factor in production process, which consists of skills/competencies, combined knowledge and abilities of the labour force (Orji, et al., 2020a & Ejere 2011). There cannot be a significant economic growth in any nation without adequate human capital development that centers on the accumulation of physical capital for rapid growth and development (Oboh et al., 2010). Human capital development on the other hand refers to the process of increasing the number of people with productive skills and ability through education, research and experience (Orji et al., 2020b & Okojie, 2017). The postulations of Harbinson (1973) and Knight (1967) clearly suggest that a country which is unable to develop the skills and knowledge of its people and to utilize them effectively in the national economy will be unable to develop anything else. This is why the New International Economic Order (NIEO) strongly stressed a country's competitiveness as a function of the quality of her human capital (Sahlberg, 2016).

TABLE 1 Education and Health Expenditure in Nigeria (1980-2018)

Year	Education Expenditure (N'Billion)	Health Expenditure (N'Billion)
1980	0.156	0.053
1985	0.258	0.132
1990	2.403	0.501
1995	9.746	3.321
2000	57.957	15.218
2005	82.795	55.662
2010	158.640	102.620
2015	170.773	122.246
2018	348.925	197.943

Source: Authors' Computation Using Data from CBN Statistical Bulletin 2018.

Nigeria, endowed with large working population had undertaken several measures to improve the development of skills as well as improving the standard of living of its people overtime (Adelakun, 2011). Some of these measures are measurable while some are not. Some of the measures include the empowerment of her citizens in the rural and urban areas through social expenditure, poverty reduction programs – which aimed at improving the economic productivity of her citizens in order to improve their quality of life, i.e. reforms in the education and health sector, etc, and these have actually increased government expenditure overtime (Nwanosike, et al., 2015 & Aladejare, 2013).

The pursuit of the benefits of human capital development in Nigeria had led the country to increase her expenditure on economic and social sector spending in the country (Bryceson, 2002). For instance, in Nigeria, government educational expenditure in 1980 was ₦156 million, which was the highest educational expenditure in Africa as at then (World Bank, 2003). During this period, government educational expenditure represented 22.3 percent of total government expenditure. This value increased to ₦165 billion in 1981 which represents 23.8 percent of the total government expenditure. Thereafter, government expenditure on this sector witnessed a drastic decrease as the value decreased from ₦165billion in 1981 to ₦57.96 billion in 2000 which represented 17.62 percent of total government expenditure. In 2010 and 2015 government expenditure on education stood at ₦158.54 billion and ₦172.77 billion, indicating 25.27 and 23.27 percent of total government expenditure. In 2018, government expenditure on education was ₦348.4 billion and it represents 21.4 percent of total government expenditure. Table 1 shows the education and health expenditure values from 1980–2018.

Aside the education expenditure, Nigerian government had taken considerable efforts to increase health expenditure. In 1980, government expenditure on health was N53 million. This value increased from N53 million in 1980 to N501 million in 1990 and continues on its upward trend as the value attained ₦15.2 billion in 2000, ₦102.6 billion in 2010 and ₦122.2 billion in 2015. In sum, health expenditure at its peak was N197 billion in 2018 (Central Bank of Nigeria Statistical Bulletin, 2018).

All these facts show that Nigerian government has taken several measures to boost her human capital development over time. This has been done through several reforms and policies as well as direct finance on human capital development. More so, in order to further boost the performance of the educational sector, led to it major restructuring in 1999 through the Universal Basic Education (UBE). The UBE project was launched with the aim of eradicating illiteracy through "Education for All" (EFA) and other education-related Millennium Development Goals (MDGs) programmes.

On the other hand, human capital development would be handicapped when some major framework through which the developed capacity are not put to use. This on its own has led to increase in economic expenditure – which comprises of expenditure on agriculture, construction, transportation and communication – as well as other social expenditure as mentioned earlier. For instance, total capital and recurrent expenditure on social services had maintained upward trend overtime. The economic