THE EMERGING MYTHS AND REALITIES OF HUMAN RESOURCES AND CAPITAL DEVELOPMENT IN NIGERIA

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Abstract

Human resources and capital formation has long been identified as one of the most crucial allies of national development. The paper x-rayed the meaning of human and capital formation, its importance, empirical evidence and myths and realities of human capital formation among other concepts. Based on the findings that low income, imbalance in income distribution and lack of economic capital militates against capital formation in Nigeria. The paper concludes that human capital formation is the ultimate basis of wealth creation and that a key to the development of underdeveloped countries. The researchers recommend that the income difference between the traditional and modern sectors should be reduced, which in effect lowers the benefits according to the educational attainment. The education requirement for particular jobs should not be exaggerated. The community should be taught on the need to save and invest for future purposes and the general upliftment of the community, in that when there are investments from saving. It will create employment opportunities. Resources should be geared towards capital formation.

INTRODUCTION

Human capital formation can be traced back from decades ago when men and women saved money in order to use it for things, which will be yielding projects for them, and people where motivated to invest their money. The financial, problem of people were hove to acquire resources for investment from income recipient themselves. However, capital may be a substitute for national resources, labour, and human capital formation and it can lead to more output, by providing a surplus for further increase in output although labour may be abundant, the output of an underdeveloped country remains limited by shortage of capital.

It is widely recognized that the under-developed country’s make additional effort to mobilize and achieve effective use of their internal resources. The mobilization of external resources requires innovative policies are capable of facilitating human capital formation. This paper will be based on human capital formation, its sources and importance’s, channel of investment and process of human capital formation in sustenance of growth and Development.

THE CONCEPT OF HUMAN CAPITAL FORMATION

There are many interlands inspite of this litany definitions from eminent scholars, the meaning of human capital formation socio-education/development concept still remain fluid, for example, Wagle (1996) opined that “capital formation has always been a sort or prime mover in the process of material growth and its rate has been a principal variable in setting the overall base of economic development” In the words of Nurkse (2000) capital formation is that society does not apply the whole of it current productive activity to the needs and desires of immediate consumption, but direct a part of it to the making of capital goods, tools and instruments, machines and transport. Facilities, plant and equipment all the various form of real capital that can so greatly increase the efficacy of productive effort. The essence of the process, then, is the diversion of a part of society’s currently available resources to the purpose of increasing the stock of capital goods so as to make possible expansion of consumable output in futures” it implies that if there is diversion, its stock of
capital goods at the end of the year is superior to those of the year before will also be affected. The present discounted value of the additional productivity, over and above the product of unskilled labours, of people with skills and acquired through explicit training, or on-the job experience. Like physical capital, it is liable to obsolescence through changes in technology or tastes. Unlike physical capital, it cannot be sold in a society without slavery; it implies that human capital formation cannot be used as collateral for loans. It is pertinent to note that such training needs to be periodical if the training needed to create human capital has to be paid for. Training for firm-specific human capital which does not improve workers earning ability outside the firm, can be provided by employers. The general or vocational human capital, which can be used by other employers, will increase workers outside earning power, so employers are in several reluctant to provide this type of training. The cost of creating human capital thus mostly falls individuals or their families, charitable institutions or state.

Furthermore, capital formation is that part of the current produce, instead of being used for immediate consumption is directed to the making of goods which facilitates production viz tools, machines, means of transport and communication, bridges dam etc. it is worthy to note that human capital formation is sacrifice-oriented in nature because it involves a sacrifice of immediate consumption for obtaining of Longer flow of consumer goods in the future. Capital formation in non-monetary terms means that, flow of total output is so consuetude that the stock of capital goods increases year after year.

**IMPORTANCE OF HUMAN CAPITAL FORMATION**

Human resources are working elements and they are capable of arranging, acquiring, developing and directing other organizational resources. In short, humans manage the other resources in any organization. Then Government should realize that the crux of economic development lies squarely not only in building capital equipment on sufficient scale to increase productivity activities in important areas like Agriculture, mining, plantation and industry. Though capital, are heavily required to construct schools, hospitals, roads and railways etc, but in human formation. Human resources capital formations have many importances in country like Nigeria as an under-developed nation, because it accelerate growth and development. The following are some of the importance of human capital formation.

1. **Balance of payment:** Nigeria as an under-developed nation, export her primary products like raw materials and agricultural products and imports all types of manufactured, semi manufactured and capital goods. This problem can only be ameliorated through capital formation.

2. **To boost the economic welfare:** Human capital formation is the panacea if any economy wants to meet with all the requirement needed to increase their income. It is so because capital formation will always lead to the proper exploitation of national resources and establishment of different types of industries.

3. **It increase production and employment:** Large-scale production can only be achieved when there is technical progress and technical progress cannot work. Without capital formation. That is there is an increase in production and employment only when workers specialized in a particular field and this will contribute to the ever-growing labour forces.

4. **Market expansion:** The various circle of poverty can be eliminated only when there is more creation of economic and social overhead- capital and then market imperfection, when be things or the post.

5. **Self- sufficient:** The burden of foreign debt can be reduce drastically when there is capital formation and the idea of borrowing for a long periods will also reduce and freedom from foreign aid will emerge.
The Sources of Capital Formation

Factually there are three basic steps involved in capital formation, viz;
1. Increase in the volume of real savings.
2. Mobilization of saving through financial and credit institutions.
3. Investments of savings

Factors Responsible for Low Capital Formation in Nigeria
1. Imbalance in income distribution
2. Low income earners
3. Lack of efficient labour and technological knowledge
4. Lack of financial institutions
5. Lack of economic capital

All these short listed factors stand in the way of increasing income in any given society/economy.

CONCEPT OF HUMAN CAPITAL THEORY

The economic prosperity and functioning of a nation depend on its physical and human capital stock. Whereas the former has traditionally been the focus of economic research, factors affecting the enhancement of human skills and talent area increasingly figuring in the research of social and behavioural sciences. In general terms, human capital represents the investment people make themselves that enhance their economic productivity. The theoretical framework most be responsible for the wholesome adoption of education and development policies has come to be known as human capital theory. Based upon the work of Schultz (1971), Sakamota and Powers (1995), Psacharopoulos and Woodhall (1997), human capital theory rests on the assumption that formal education is highly instrumental and even necessary to improve the production capacity of a population. In short, the human capital theories argue that an educated population is a productive population.

Human capital theory emphasizes how education increases the productivity and efficiency of workers by increasing the level of cognitive stock of economically productive human capability which is a product of innate abilities and investment in human beings. The provision of formal education is seen as a productive investment in human capital, which the proponents of the theory have considered as equally or even more equally worthwhile than that of physical capital. According to Babalola (2003), the rationality behind investment in human capital is based on three arguments.

i. That the new generation must be given the appropriate parts of the knowledge which has already been accumulated by previous generations;
ii. That new generation should be taught how existing knowledge should be used to develop new products, to introduce new processes and production methods and social services; and
iii. That people must be encouraged to develop entirely new ideas, products, processes and methods through creative approaches.

According to Fagerlind and Saha, (1997) human capital theory provides a basic justification for large public expenditure on education both in developing and undeveloped nations. The theory was consistent with the ideologies of democracy and liberal progression found in most Western societies. Its appeal was based upon the presumed economic return of investment in education both at the macro and micro levels. Efforts to promote investment in human
capital were seen to result in rapid economic growth for society. For individuals, such investment was seen to roved returns in form of individual's economic success and achievement.

Most economists agreed that it is human resources of nation, not its capital nor its material resources that ultimately determine the character and pace of its economic and social development. Pascharopoulos and Woodhall (1997) asserts that:

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\text{Human resources constitute the ultimate basis of wealth of nation. Capital and natural resources are passive factors of production, human beings are the active agencies who accumulate capital, exploit natural resources, build social, economic and political organization, and carry forward national development p.102}
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Empirical Evidence of Human Capital Model

The importance of education and human capital has been brought out in many studies of economic growth and development. Robert (1991) developed a human capital model which shows that education and the creation of human capital was responsible for both the differences in labour productivity and the differences in overall levels of technology that observe in the world. More than anything else, it has been the spectacular growth in East Asia that has given education human capital their current popularity in the field of economic growth and development. Countries such as Hong Kong, Korea, Singapore, and Taiwan have achieved unprecedented rates of economic growth while making large investments in education. In the statistical analysis that accompanied his study, the World Bank (1993).

Implications of Human Capital Theory for Educational Development

The central difference in the policy implications of the human capital model and the alternative models relates to the desirable level of public expenditure on education. The basic implication of the human capital model is that allocation of resources on education should be expanded to the point where the present value of the streams of returns to marginal investment is equal or greater than the marginal costs.

The Myths and Realities of Human Capital Formation

Nigeria is confronted by most of the problems that could limit the capacity of expansion in education to stimulate growth and development such as under-employment, low absorptive capacity, shortage of professionals, regional imbalances and brain-drain. The persistence of many of the problems in spite of the various policy formulation and responses point to the need for a more focused responsive, functional and qualitative educational system. Many of the developing nations have thus realized that the principal mechanism for developing human knowledge is the education system. Thus, they invest huge sum of money on education not only as an attempt to impact knowledge and skills to individuals but also to impact values, ideas, attitudes and aspirations which may be in the nation’s best developmental interest.

In addition to manpower planning needs, parents strongly feel that in an era of scarce skilled manpower, the better the education their children can get, the better are their chances of getting well-paid jobs. The poor often look at their children’s education as the means of escaping poverty. The concept of human resources has provided a useful bridge between the theoretical concerns of students of the developmental process and the practical requirements of assistance to planners. Irrespective of the explanation given for global educational expansion, the consequences of
this expansion for social system can be problematic. The tensions and strains of educational expansion can impede economic, social and political development. For example, the accelerated costs of expanding educational system complete with other sectors of the respective societies for finite resource. As mass primary education is attained, expansion shifts to the secondary and tertiary levels as these too are gradually transformed into mass system. At the same time, the increase in costs is not arithmetic but geometric. These pressures ultimately create dilemma for government who must realistically assess and determine spending priorities for scarce economic resources.

Adopting a position based on the assumptions of the human capital and modernization theorists, Fagerlind and Saha (1997) argue that in developing countries at least, educational demand must be tempered in order to bring cost and benefits to more realistic levels. It is also worth noting that the causal relationship between education and earnings has important implications for public policy. If human capital theorists are correct in arguing that education is the primary cause of higher earnings, then it obviously makes sense to provide more education to low-income groups of society to reduce poverty and the degree of income inequality.

This analysis suggests that the primary focus of subsidies to education should be on ensuring that all those who can benefit from, have access to appropriate opportunities, rather than on reducing costs incurred by those who would undertake higher education in any case. Nigeria is confronted by most of the problems that could limit the capacity of expansion in education to stimulate growth and development such as under-employment, low absorptive capacity, shortage of professionals, regional imbalances and brain-drain. The persistence of many of the problems in spite of the various policy formulation and responses point to the need for a more focused responsive, functional and qualitative educational system.

**Education a Tool for Human Formation**

There are several ways of modeling how the huge expansion of education accelerated economic growth and development. The first is to view education as an investment in human capital. A different view of the role of education in the economic success is that education has positive externalities. “Education part of the community and the whole of it benefit”.

The idea that education generates positive externalities is by no means new. Many of the classical economists argued strongly for government’s active support of education on the grounds of the positive externalities that society would gain from a more educated labour force and populace. (Van-Den-Berg 2001). Smith (1976) reflects such progressive contemporary through when he wrote that by educating its people, a society.

*Derives no inconsiderable advantage from their instruction. The more they are instructed, the less liable they are to the delusions of enthusiasm and superstition, which, among ignorant nations, frequently occasion the most dreadful disorders. An instructed and intelligent people besides, are always more decent orderly than an ignorant and stupid ones.*

Smith views the externalities to education as important to the proper functioning not only of the economy but of a democratic society.

Another way of modeling the role of education in the growth and development process is to view human capital as a critical input innovations, research and development activities. From this perspective, education is seen as an intentional effort to increase the resources needed for creating new ideas, and thus, any increase in education will directly accelerate technological progress. This modeling approach usually adopts the Schumpeter (1973) assumptions of imperfectly
competitive product markers and competitive innovation, which permit the process of generating technological progress. Education is seen as an input into the intentional and entrepreneurial efforts to create new technology and new products. Proponents of this view of education point out the close correlation between new product development and levels of education. The countries that are at the forefront of technology also have the most educated population (Van-Den-Berg 2001).

The review of empirical tests of the theory by Garba (2002) shows that cross-country regressions have shown positive correlation between educational attainment and economic growth and development. Odekunle (2001) affirms that investment in human capital has positive effects on the supply of entrepreneurial activity and technological innovation. Ayeni (2003) asserts that education as an investment has future benefits of creation of status, job security and other benefits in cash and in kind.

**Application of Human Capital Formation to Educational System**

Babalola (2003) asserts that the contribution of education to economic growth and development occurs through its ability to increase the productivity of an existing labour force in various ways. However, economic evaluation of educational investment project should take into account certain criteria according to Psacharpoulos and Woodhall (1997) which are:

- Direct economic returns to investment, in terms of the balance between the opportunity costs of resources and the expected future benefits;
- Indirect economic returns, in terms of external benefits affecting other members of society;

**Human Capital Theory: Implications for Educational Development**

- The private demand for education and other factors determining individuals demand for education;
- The geographical and social distribution of educational opportunities;
- The distribution of financial benefits and burdens of education.

Education plays a great and significant role in the economy of a nation, thus educational expenditures are found to constitute a form of investment. This augments individual's human capital and leads to greater output for society and enhanced earnings for the individual worker. It increases their chances of employment in the labour market, and allows them to reap pecuniary and non-pecuniary returns and gives them opportunities for job mobility.

Education is a source of economic growth and development only if it is anti-traditional to the extent that it liberate, stimulate and informs the individual and teaches him how and why to make demands upon himself. Accordingly, a proper educational strategy would manifest itself in four major development-producing capacities. According to Brochi (2003) the first is the development of general trends favourable to economic progress. The reference is to social mobility, a general increase in literacy necessary to improved communication.

The second capacity emphasizes the development of complementary resources for factors which are relatively plenty and substitutes for relatively scarce factors. That is, educated people would be more adaptable to varying production needs. The third capital underscores the durability of the most forms of non-human reproductive capital, which implies that a given investment in education tends to be more productive, other things being equal, than some outlay on non-human capital. Finally, education is an alternative to consumption, for it transfers to round-about production the resources that would otherwise be consumed now.

The main problem associated with the belief that education is good for economic growth and development according to Babalola (2003) concerns how to maintain an equilibrium position. That is, where there will be no evidence of either shortages or surplus supply of educated
people. A shortage of educated people might limit growth, while excess supply of it might create unemployment and thus limit economic growth and development. Though, it has been criticized on several grounds. At the individual level, it has become controversial whether or to what extent education or other forms of human investments are directly related to improvement in occupation and income. Bronchus (2003) asserts that raising the level of education in a society can under certain instances increases the inequalities in income distribution.

Fagerlind and Saha (1997) assert that while government may adopt educational plans consistent with specific development goals and strategies, they can only be partially certain that outcomes of these will correspond to original intentions; the more political the goals of education, the more problematic the outcomes. In light of this, to view education as a panacea for the attainment of development objectives is risky. Thus, education in general and schooling in particular, cannot on its own achieve the desired societal goal without structural reforms.

Another major problem in the application of the theory is its to account for a growing gap between people’s increasing learning effort and knowledge base and the diminishing number of commensurate jobs to apply their increasing knowledge investment, especially in developing nations. To this, some advocates of the theory (Bronchi, 2003, Castronova 2002, Crepaz and Moser 2004) assert that these great increase in learning efforts have not led to commensurate economic gains because of the declining quality of education, lopsided and political motivated system of education.

CONCLUSION

Gary Becker (2000), human capital 2nd edition Columbia New York, he emphasized much on human capital formation. That the key to the development formation efforts in poor countries is the formation of human capital not only physical capital. Economic optimization required that these investments must be carried to the point where marginal benefits, further expenditures are just off set by their marginal cost.

In addition, some (perhaps) forms of investment in human capital carry with them an element of consumption. The person who reaps the benefits from such investments is not always those who must bear the cost. Education can be considered on investment in producers’ capacity and in consumption capacity as well as in consumption in itself. Participants in formal education derived some consumption values from the act while improving their future level of productivity. Meanwhile, investment in human capital, as already noted, can take a variety of forms and they entails:

Formal School ranges from literacy training all the way to university work in science, engineering and other expensive subject. It is easy to understand why universities in underdeveloped countries train more lawyers and teachers than they train engineers or economists. On the job training consists of gaining skills in the work situation. This can be accomplished through formalized apprenticeship programs. Highly structured ways of showing new workers, the skills necessary for industrial work prevail in most poor countries. Becker has distinguished between two types of training; general and specific, general training can be used by a variety of employers. Trained workers offer higher productivity and hence greater market opportunities with all employers while, specific training result in a productivity increase that benefits only a simple (specific) employers. The costs of such training are split between the employer and the workers as they are in case of general training.

RECOMMENDATION

In the light of the finding in this study, the researcher is poised to make the following recommendations for effective human capital formation for economic development. Among the suggestions they made are that;
• The costs of education should be borne by beneficiary or recipient by means of family assistance or self-help scheme rather than solely the state.
• The income difference between the traditional and modern sectors should be reduced, which in effect lowers the benefits according to the educational attainments.
• The educational requirement for particular jobs should not be exaggerated.
• The wage structure should be tied to occupational and requirements rather than educational attainments.
• The process of growth involves saving to create a surplus for community. Savings can be undertaken by the government, and be forced on individuals, household and corporations by inflation.
• There should be a revision to the regulation of the structure of interest rate with a view to bringing it down to a rage that would achieve a high investment level.
• Profit gained from business should be adequately utilized and put back in business to increase the level of investment.
• The community should be taught on the need to save and invest for future purposes and the general up-liftment of the community, in that when there are investments from saving. It will create employment opportunities. Resources should be geared towards capital formation.

REFERENCES