

Investment In Education as a Means of Economic Development

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Doi:10.5901/mjss.2012.v3n16p86

Abstract

The paper examines investment in education as a means of economic development. Investment in education is the way by which human capital can be nurtured towards the achievement of global millennium development goals. It is only when a country increases the quantity and quality of human capital availability in a given economy that there can be more hands on deck to bring the country to a desirable economic development. The main vehicle to economic development is investment in education. . Chi-square tested at 5% level of significance was the statistical tools or technique employed in testing the hypotheses formulated and all the null hypotheses formulated were rejected. It was therefore concluded that investment in education is a means to economic development.

Introduction

Individuals are willing to take more years of schooling partly because they can earn more money/income and get better jobs, on the average, with more schooling. To many, more schooling can also be a source of social mobility. Similarly, nation-states and regions are interested in raising the average level of schooling of their population, in part, because they think that doing so will improve productivity, raise the quality of jobs in the economy, and increase economic development.

Statement of the problem

The link between education and economic development in some of the early work on the economics of education was based on the argument that a major effect of more education is that an improved labor force has an increased capacity to produce, Because better-educated workers are more literate and numerate, and therefore easier to train. It is easier for them to learn more complex tasks. In addition, they do have better work habits, particularly awareness of time and dependability. But exactly how education increases productivity, how important it is, and in what ways it is important are questions that have no definite answers. A shortage of educated people may limit development, but it is unclear that a more educated labor force will enhance economic development. It is also unclear what kind of education contributes most to development—general schooling, technical formal training, or on-the-job training—and what level of education contributes most to development—primary, secondary, or higher education?

Research Questions

This research work tried to answer the following pertinent questions in order to access the investment in education as means of economic growth.

- (i) Does investment in education enhance the economy development of the country?
- (ii) Does investment in education have greater impact on the level of productivity in the country?
- (iii) Does investment in education influence the quality of manpower development in Nigeria?

Research Hypotheses

Based on the above questions asked, the following hypotheses were formulated:

- Ho: Investment in education has no significant influence on enhancement of economic development in Nigeria.
- H₁: Investment in education has significant influence on enhancement of economic development in Nigeria.
- Ho: Investment in education has no significant impact on the productivity of the workers.
- H₁: Investment in education has significant impact on the productivity of the workers.
- Ho: Investment in education has no significant influence on the quality of manpower development in Nigeria.
- H₁: Investment in education has significant influence on the quality of manpower development in Nigeria.

Significance of the Study

The significance of this research work was to bring out the importance of investment in education as a means of economic growth. In this regard, the study would look into the contributions of education to the economic growth which can translate to economic development. The study would also be useful to the government to assess its impact on human capital development in order to put necessary machineries in place for its encouragement.

Education Contributes to a Higher Economic Development of countries.

One of the clues in support of the conclusion that education does contribute to development is that countries with higher levels of economic growth have labor forces with higher levels of formal schooling. Beyond such a macroeconomic approach to the relation between education and economic growth, the new growth theories assert that developing nations have a better chance of catching up with more advanced economies when they have a stock of labor with the necessary skills to develop new technologies themselves or to adopt and use foreign technology. In such models, more education in the labor force increases output in two ways: education adds skills to labor, increasing the capacity of labor to produce more output; and it increases the worker's capacity to innovate (learn new ways of using existing technology and creating new technology) in ways that increase his or her own productivity and the productivity of other workers. The first of these emphasis is that the human capital aspect of education (that is, education improves the quality of labor as a factor of production and permits technological development); the second

places human capital at the core of economic growth and development by asserting that the externalities generated by human capital are the source of self-sustaining economic growth—that human capital not only produces higher productivity for more educated workers but for most other labor as well.

This model also sees innovation and learning-by-doing as endogenous to the production process, with the increases in productivity being a self-generating process inside firms and economies (Lucas 1988; Romer 1990). Such learning-by-doing and innovation as part of the work process are facilitated in firms and societies that foster greater participation and decision making by workers, since those are the firms and societies in which more educated workers will have the greatest opportunities to express their creative capacity. The frequent observation that individuals with more education have higher earnings is another indication that education contributes to development. The education–higher earnings connection reflects a macroeconomic approach to the relation between education and economic development. Greater earnings for the more educated represent higher productivity—hence, an increase in educated labor in the economy is associated with increased economic output and higher growth rates.

Economic Justification for Investment in Education

The scale of public and private expenditures on different levels and types of education provides an indication of de facto priorities. However, it does not indicate the rationales for those priorities. Behind the expenditures are institutional and individual decisions that have social, political, and economic goals. The social and political goals include raising of the levels of education in order to improve public awareness of important issues, efforts to preserve existing social orders, desires to reduce inequalities of access, and concern to reduce population growth rates. However, more relevant to this particular document are the economic goals. Among the dominant strands of thought on the role of education in economic development is that it is an investment in human capital (OECD 1998). Within this, is the view that it is possible to calculate rates of return from investment in education, and to do so by level and type of education. The work of Psacharopoulos (e.g., 1994, 1995) has become particularly well known in this domain.

The result of statistics from a large number of studies on rate of returns to investment in education was compiled by Psacharopoulos in 1994. Private returns accrue to individuals, while social returns accrue to the whole society (including the individuals). In most cases, private returns are greater than social returns because governments give more in subsidizing than they take away in taxes. Together with related work, Psacharopoulos has argued that education is generally a good investment both for individuals and for whole societies. Within the education sector, Psacharopoulos has argued that, rates of returns are particularly high at the primary level, and especially in developing countries. This suggests that in most circumstances primary education deserves priority in the allocation of extra resources. This view has helped shaping World Bank policy, and has also been widely accepted elsewhere (e.g., UNDP 2000). The World Bank in 1995, argued on such evidence that expenditures in many countries have been misallocated between education subsectors, with too much emphasis on secondary and higher education. However, evidence from some countries seems to indicate that private rates of returns are falling over time (Tilak 1997a, 69). Moreover, the very concept of rate-of-return analysis in education has been subject to criticism Leslie 1990; Bennell 1996; Curtin 1996. One argument is that greater earnings for individuals with higher levels of education do not reflect the intrinsic value of education so much that school systems operate as screening devices in which only the more

talented get through to higher levels. This view does not nullify the value of investments in education, but casts a different light on the reasons for earnings differentials at different levels of education. Other criticism of rate-of-returns analysis is that the presentation of exact numbers gives the illusion of precision.

Strategies for the Planning of Education for Growth

Education can be a potent for national growth, if it is properly planned. To this effect , the following actions are necessary:

- i. Make attendance at the primary schools compulsory for all Nigerian children of primary school age. The education must be free and must be of high quality. Hence , the schools must be well equipped and staffed.
- ii. Provide facilities for all those who successfully complete their primary education at the Junior Secondary Schools. The tuition should be free and enough neighborhood schools should be provided to reduce the need for boarding facilities for all except for those who can afford it.
- iii. Provide enough facilities for graduates from the Junior High Schools to the Senior High Schools. It may be tuition free, eventually when the economy has improved. Enough place should be provided for all those who have successfully completed the Junior High School courses and are willing to continue their education .
- iv. Provision of facilities in all areas of need at the tertiary level and the orientation of students at this level should be such that students can develop independent thinking and creativity for nation building.
- v. Government should continue the six years development plans. The government should not merely continue six years development plans , but must pursue them more realistically. And once this is on, the planning of education for national development will be very easy. The educational needs of the country can easily be determined during a plan period via skill requirement both in public and private sector.

Methodology

This study was descriptive, employing the survey research type. This was done through the use of structured questionnaire and observational technique in investigating the investment in education as a means of economic development. Thus, the research made use of primary data obtains from the population. The population for this study consisted of the Teachers and Parents in Epe Local Government Area of Lagos State. A total of Four Hundred people were sampled. The cluster technique was used to select subject from Epe Local Government Area. The instrument was a structured questionnaire consisting of a number of statements to which respondents were to indicate their agreement or disagreement.

Procedure for Data Collection

The questionnaire forms were personally administered by the researchers, with the support of people visited. A hundred percent return rate was obtained, thus all the questionnaires sent out were returned and analyzed.

Method of Data Analysis

The simple percentage and the Chi-square were used for analysis

Data analysis and discussion

Table 1: Gender of respondents

Gender	Frequency	Percentage
Male	240	60
Female	160	40
Total	400	100

Results of Hypotheses Testing

Table 1: *Ho: Investment in education has no significant influence in enhancement of economic development in Nigeria.*

H₁: Investment in education has significant influence in enhancement of economic development in Nigeria.

Item	SA	A	D	SD	Total
1 Individuals with more education have higher earnings is another indication that education contributes to both economic growth and development.	140(125)	100(115)	40(62)	100(78)	380
2 Investment in education increases the creative ability of an individual to contribute immensely to Gross Domestic Product of Nigeria per year	100(115)	120(105)	80(58)	50(72)	350
3 Column Total	240	220	120	150	730

X^2 observe value = 36.93; Degree of Freedom = 3 Level of significance = 0.05; Critical X^2 Value = 7.815

The table 1 revealed that the obtained chi-square value of 36.93 was greater than the critical value of 7.815 at 0.05 level. Therefore the null hypothesis was rejected. This result thus shows that the investment in education has significant influence in enhancement of economic development in Nigeria.

Table 2: *Ho: Investment in education has no significant impact on the productivity of the workers.*

H₁: Investment in education has significant impact on the productivity of the workers.

Item	SA	A	D	SD	Total
1 The general level of education in the workforce expands production possibilities	145(127)	115(122)	60(66)	60(66)	380
2 The investment in education has led to increase in the level of both quantity and quality of products being produced in the country.	105(123)	125(118)	70(64)	70(64)	370
3 Column Total	250	240	130	130	750

X^2 observe value =8.22; Degree of freedom=3 Level of significance = 0.05; Critical X^2 Value = 7.815

The result of table 2 revealed that the observe chi-square(X^2) value of 8.22 was greater than the critical value of 7.815 at 3 degrees of freedom and 0.05 level of significance. The result was therefore significant. It can then be inferred that the investment in education has significant impact on the productivity of the workers.

Table3 *Ho: Investment in education has no significant influence on the quality of manpower in Nigeria*
H₁: Investment in education has significant influence on the quality of manpower in Nigeria.

	Item	SA	A	D	SD	Total
1	Investment in education has greater impact on manpower development to sustain and achieve global millennium development goals.	150(128)	110(118)	40(62)	80(72)	380
2	Investment in education increases the quality of human capital in the country.	100(122)	120(112)	80(58)	60(68)	360
3	Column Total	250	230	120	140	740

X^2 observe value = 29.19; Degree of Freedom = 3 Level of significance = 0.05; Critical X^2 Value = 7.815

The table 3 revealed that the obtained chi-square value of 29.19 is greater than the critical value of 7.815 at 0.05 level. Therefore hypothesis was rejected. Therefore, the Investment in education has significant influence on the quality of manpower in Nigeria.

Conclusion

In conclusion, the empirical tests generally show that education is one of the initial conditions that define the long-term steady state towards which the economy tends: the countries that in 1960 had a higher level of education, had a greater opportunity. 40 years later, to reach a higher level of development. On the other hand, despite the diversity of methods and measures of human capital variables, the role of human capital in the convergence process is still not consistently positive. It is unclear that the countries that invested more in education universally experienced a higher growth rate.

Recommendations

Experience gathered from the review of innovative practice of both developed and developing countries of the world, indicate that much remains to be learnt about educational planning.

If the desire is to meet the political, social and economic interest of the state and the furtherance of national development, hence it is recommended that:

- Government, private sectors and the community should be charged with the responsibility of proper funding and supervisions of all levels of education in the economy.
- Teachers should be adequately taking care of as this encourages effectiveness in their duties.
- Parents should also encourage their children to go to school as they are the leaders of tomorrow.

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