

# HUMAN CAPITAL DEVELOPMENT; A GOOD LEADERSHIP AND ECONOMIC GROWTH BASED APPROACH

## Abstract

*The purpose of this study is to discuss the impact of Human Capital Development in fostering good leadership and Economic growth in Nigeria. How to keep the majority of graduates of higher institution of learning in Nigeria to embrace the expected technical and entrepreneurial skills, communication and human relations required for self-reliance and self-employment rather than pragmatic or functional education that has resulted to the production of bad leadership and unemployable graduates not suited for the labour market becomes the problem. The literature was reviewed. Methodology adopted survey design. However, it was found that Uneven distribution of skilled manpower, misemployment of human capital in Nigeria, poor reward system is retarding the acquisition and development of human capital. This study concludes that acquiring adequate training and development of Humans brings about better society. Recommendation were made that government should ensure that the right personnel are employed so as to maintain high level of credibility in an organization, which will yield growth in economy for a better society.*

## Introduction

The active agents of modernization are human beings, for they alone can accumulate capital, exploit natural resources and build political and social organizations (Sankay, Ismail and Shaari, 2010). This is in line with the work of Kamukama (2010), who posit that employees represent the most valuable and important asset of the organization that has to be harnessed and managed with care and maintaining a motivated and committed workforce is essential to the performance of any organization. Aja-Okorie & Adal (2013) observed that the challenges faced by Nigeria can only be met if she has innovative, well-educated and entrepreneurial citizens who have the spirit and inquisitiveness to think in new ways, and the courage to adapt and meet the challenges facing them.

Peoples knowledge and skills are known as human capital (HC), HC is the core of intellectual capital (IC) that drive business performance (BP). Choudhury & Nayak (2011) stated: People are the organizations greatest asset, providing the IC that drives differentiation and value added.

This was supported by the contributions of Fatoki (2011), human capital represents the investment people make in themselves or by their organizations that enhances and promotes

economic productivity. To achieve promoting knowledge based economy development of human capital, research and development (R&D) and other knowledge oriented programmes are crucial (Ismail and Jajri, (1998); Lichtenberg (1992); Barro and Sala-i-Martin, (1995) and Artelaris et al. (2007), Matthew et al. (2018)).

Papadimitriou (2011) stated: HCD is investing in the skills and knowledge that faculty and staffs need in order to be outstanding teachers, scholars, innovators, and leaders. Finally, Enyakit et. al. (2012) pronounced that: HC is the intangible factor of the production that brings human intellect, skills and competencies in the production and provision of goods and services.

Kumar and Pandya (2012) said: HC information system is used to optimize workforce and HC costs, provide the organization with a glimpse of the skill gaps within the organization, help the organization to develop strategies that will support market value and make positive impact on the bottom line.

Human Capital has value in the market place unlike other assets, potential value of human capital can be fully realized with the cooperation of the person. Ofoegbu and Joseph (2013) posit that for SMEs to survive, human capital development is indispensable. Hence SMEs need specialized skilled people to develop innovative solutions that give competitive advantages to organizations and as well help to improve productivity and redesign business processes by taking advantage of opportunities that provide technologies, information and products.

Advocates of human capital development theorists argue that an educated population is a productive one, but the major problem lies with the application of the knowledge and education acquired in relation to the output of the workforce at the place of work. Education has been compromised by the political system particularly in developing countries thus affecting the quality. Therefore, effective HC has been noted to be of significant value for firms in developing countries because it can lead to managerial excellence (Okpara, 2011). A well-educated working age population is the cornerstone of sustained and inclusive economic success. it lifts living standards and dignity of people

There is a great interest in advancing HC in developing countries and Nigeria in particular because;

1. The adopted industrial approach that is aimed at liberalizing the private sector away from the states ownership; for which Nigeria adopted following the World Bank recommendation in 2000, 2005 & 2010.
2. The increasing competition locally and internationally for quality products at affordable prices and market share (sales).
3. The idea that HC increases performance is generally accepted up to board room level in addition to the general agreement that accounting is backward looking at only physical assets, new methods are needed.

It is therefore within this framework that we consider the influence of HC as an important facilitator of performance in manufacturing firms which has never been exhausted in developing countries. Employee preferences and what they look for from work are determined not just at an individual level, but also over time. An organization that fails to recognize and meet those changing needs over time will underutilize its employees which ultimately cripples its overall performance.

Human capital development means building an appropriate balance and critical mass of human resource base and providing enabling environment for all individuals to be fully engaged and contribute to national development efforts. It involves providing opportunities to all citizens to develop to their fullest potentials through education, training and motivation as well as creating the enabling environment for everyone to participate fully in National development. Any effort to increase human knowledge, enhance skills and productivity and stimulate resourcefulness of citizens is an effort in human capital development, investment to entrench good governance, provide supporting infrastructure and develop the education, health and social systems are investments in human capital development. These will include expenditures in educational and training institutions, health and skills acquisition programmes, information and communication technologies (ICT) as well as in research and development.

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## **Statement of the problem**

What really matters in Nigeria is the empowerment of people and the mobilization of economic surplus into productive investment channels. There is also the need for the Nigerian economy to eliminate or minimize those constraints towards human capital development so as to enhance rapid economic growth. Maintaining competent workforce and good leadership is costly in the short run and cheaper in the long run, but organizations also pay a significant cost when employees voluntarily leave. This talent drain, results in costly sourcing and development of new talent, but often hurts more in terms of productivity losses and inability to grow.

However, how to keep the majority of graduates of higher institution of learning in Nigeria to embrace the expected technical and entrepreneurial skills, communication and human relations required for self-reliance and self-employment rather than pragmatic or functional education that has resulted to the production of bad leadership and unemployable graduates not suited for the labour market becomes the problem.

### **1.3 Objective of the Study**

The main objective of this study is to examine the extent to which Human Capital Development entrepreneurship can affect economic growth in South-East, Nigeria. The specific objectives are to:

Assess the effect of Human Capital Development on economic growth in South-East Nigeria

### **1.4 Research Questions**

This study addressed itself to the following research questions

To what degree does human capital development affect economic growth in South-East, Nigeria?

### **1.5 Hypothesis**

**H<sub>01</sub>:** Lack of human capital development has no significant effect on economic growth in South-East Nigeria.

## **Literature Review**

## **Conceptual Framework**

Development empower people to take advantage of these opportunities by creating a system of incentive that reward hard work and punish corruption, by investing in education, special programmes for the most vulnerable members of the society (National Planning Commission and Central Bank of Nigeria, 2005 6) in Ikeanyibe (2009) who also asserted that development on the other hand is a word that is difficult to define because of the multifarious contextual usage of the concept. But in its simplest reductionism, the term means improvement or to become more advanced, more mature, more complete, more organized, more transformed etc. Rodney (1969) in Ikeanyibe (2009) sees development as a many sided process but defines it in relation to the individual. As he explains, “at the level of the individual it implies increased skills and capacity, greater freedom, creativity, self-discipline, responsibility and material well-being”.

Human development as a concept as cited by Paul et al. (2017), refers to the process of acquiring and increasing the number of persons who have the skill, education and experience which are critical for the economic and political development of a country. It is thus associated with investment in man and his development as a creative and productive resource (Jhingan, 2012). A great person attracts great people and knows how to hold them together” (Johann Wolfgang von Goethe). Therefore, organizations should be aware of the need to invest seriously in human resources by way of training. Consequently, the initial conceptions of human resources development focused on training that helped individuals to perform jobs effectively. Meanwhile, recent development has beyond ordinary training to include practices and strategies that would enhance team work, organization and individual performance.

Human capital development consists of a strong connection to business strategy, focusing on team learning and emphasizing internal consultancy, organizational learning, management knowledge and intellectual capital development of an organization. Human resources professionals must demonstrate their strategic capability by helping strategic planners to acquire the conceptual, analytical and interpersonal skills they require to perform their jobs. And also understand contextual issues and provide information that can lead to effective senior management decision making about learning and development. Hence top management support should become top management leadership.

Within the Nigeria context, Paul et al. (2017) identified the reasons for Nigeria's unemployment, high level of poverty and unsustainable growth as the technical knowhow and skills usually come with foreign physical capital which is yet insufficient. Human capital refers to the abilities and skills of human resources and human capital development refers to the process of acquiring and increasing the number of persons who have the skills, education and experience which are critical for the economic growth of the country (Harbison, 1962).

The development of human capital involves increasing skills, knowledge, specialization productivity and creativity of people through process of human capital formation. Technology also on the other hand promotes growth and development. OECD (1996) stressed that science, technology and industry policies should be formulated to maximize performance and well-being in "knowledge-based economies"<sup>1</sup>. To promote growth and development in a country, knowledge is inevitable.

Human capital development means building an appropriate balance and critical mass of human resource base and providing enabling environment for all individuals to be fully engaged and contribute to national development efforts. It therefore of no doubt that successful companies tend to be those that continually put emphasize on skills and knowledge of their employees, rather than on assets, such as plants or machinery (Maheran et al., 2009).

Nigeria as a country is immensely endowed both in natural and human resources. The pool of resources from one end to the other is unquantifiable to such extent that, given a dynamic leadership, economic prosperity would have been achieved in late 20th century. The primary focus of Nigeria has been finding a way to accelerate the growth rate of national income and to engage in structural transformation of her subsistence and resource based economy to a production and consumption based economy in order to break the cycle of poverty, low productivity and stagnation.

In spite of all these abundant resources, Nigeria has failed to realize her full development potential with the topmost priority currently given to sustainable human capital development or people oriented development by many countries and multilateral organizations, e.g. UNDP. A review of the Nigerian economy has become quite appropriate as a way of understanding more comprehensively her human capital development.

The most valuable assets in both developed and developing countries, according to Hadir and Lahrech (2015) are humans. To achieve development, it therefore becomes imperative for these assets to be managed properly and effectively used. One way this can be done is by ensuring adequate investment is made in human capital. Human Capital can be described as the collective skills, knowledge, and intangible assets of individuals that can be used to create economic value.

However, life expectancy as an important health indicator whose importance as a component of human capital development continues to rise has seldom been used even though it remains at extremely low levels in a number of sub-sahara Africa countries of which Nigeria is one. Further enrollment rates at both primary, secondary and tertiary level in a considerable number of existing studies have not all been used together in a single model exploring human capital development and economic growth (for example see, Adeyemi and Ogunsola 2016; and Jaiyeoba, 2015). These have caused undesirable consequences for the development of high quality human capital in Nigeria but, have not changed the focus of the Nation of Nigeria on human capital development in its objective to achieve significant levels of economic growth.

**An appraisal of Human Capital Development Strategies in Nigeria:** There are many ways to assess the development, however, only a few important ones that are readily measurable shall be considered in this project; they include: Poverty reduction and empowerment of Nigerians in rural and urban areas to be economically productive. Under the poverty reduction program, the government states that the strategy to be employed will be to empower Nigerians both in rural and urban areas to be economically productive with a view of improving their quality of life. To avoid the mistakes of the past, projects and measures to be implemented will be people oriented. The people concerned as stakeholders will take ownership significant improvement in the supply of water, basic educational facilities, (both under the universal basic education (UBE) scheme and mass adult literacy program) and basic health facilities will be embarked upon immediately on nationwide basis (FGN, 1999).

Nigeria as a developing country in Sub Sahara Africa, in an attempt to develop her human capital so as to achieve sustainable growth embarked on some educational programs in the past, but these have only served as conduits to transfer money to the corrupt political leaders and their cronies. In 1967, Nigeria launched a mass-oriented education program; Universal Basic

Education (UBE). The program was launched at Sokoto by the President at that time, Olusegun Obasanjo. However, not long after the period of commencement, the federal government reported that the falling standard of education in Nigeria is caused by "acute shortage of qualified teachers in the primary school level. It was reported that about 23 percent of the over 400,000 teachers employed in the nation's primary schools do not possess the Teachers' Grade Two Certificate, even when the National Certificate of Education (NCE) is the minimum educational requirement one should possess to teach in the nation's primary schools (Ogbeifum & Olisa, 2001). Nigeria in 1976 again launched the Universal Primary Education (UPE) but as noted, the program failed due to lack of funds resulting from corruption, amongst other factors.

McCoy (2012) in other hands, states that motivation is the underlying reason a person has for acting or behaving in a particular way. In business, the typical default mechanism that management uses to "motivate" employees (to do what they want them to do) is to incentivize the goal by saying "if you do I will give you....". If the incentive is compelling enough to the employee, then the system works resulting in the employee reaping the incentive and management achieves its goal.

In addition, maintaining competent workforce is costly in the short run and cheaper in the long run, but organizations also pay a significant cost when employees voluntarily leave. This talent drain, results in costly sourcing and development of new talent, but often hurts more in terms of productivity losses and inability to grow. Employee preferences and what they look for from work are determined not just at an individual level, but also over time. This is very important to entrepreneurial development. It has been recognized as one of the managerial tools for an improved SMEs Ofoegbu & Joseph, 2013, avolainen & Talja, 2012. People knowledge and skills are known as human capital (HC), HC is the core of intellectual capital (IC) that drive business performance (BP). Choudhury & Nayak (2011) stated: People are the organizations greatest asset, providing the IC that drives differentiation and value added.

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### **Empirical Review**

In the works of Chikwe, Ogidi, Nwachukwu, (2015) on Challenges of Research and Human Capital Development in Nigeria using logical analysis. The paper identified inadequate funding, lack of equipment, facilities and materials, lack of awareness, lack of implementation of research

results, low rating in human capital indices, brain-drain, underemployment, etc, as challenges of research and human capital development in Nigeria. They conclude that a high rating in human capital development indices places a country among the leading countries of the world, and recommended that there should be drastic and far reaching reforms in educational policies and programmes of the country to meet the human capital development of the 21st century and beyond.

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In consonant with the above, Mathew Babatope Ogunniyi (2018) studied Human capital formation and economic growth in Nigeria: A time bound testing approach (1981-2014) using ARDL bound estimation techniques. The results show that a long run dynamic relationship exists between human capital formation and economic growth in Nigeria. It is therefore recommended that in order to achieve economic growth, policymakers should inter-alia increase not just the amount of expenditure made on the education sector, but also the percentage of its total expenditure accorded to the sector. Moreover, improve personnel development in the health care and ensuring adequate distribution of health facilities within the federation is essentially imperative.

Oluwatobi and Ogunrinola (2011) examined the relationship between human capital development efforts of the Government and economic growth in Nigeria. It seeks to find out the impact of government recurrent and capital expenditures on education and health in Nigeria and their effect on economic growth. The data used for the study are from secondary sources while the augmented Solow model was also adopted. The dependent variable in the model is the level

of real output while the explanatory variables are government capital and recurrent expenditures on education and health, gross fixed capital formation and the labour force. The result shows that there exists a positive relationship between government recurrent expenditure on human capital development and the level of real output, while capital expenditure is negatively related to the level of real output. The study recommends appropriate channelling of the nation's capital expenditure on education and health to promote economic growth.

Dauda (2010), using the human capital model of endogenous growth developed by Mankiw, Romer and Weil (1992), examined empirically the role of human capital in Nigeria's economic development. 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, human capital formation, proxied by enrollment 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. Thus, the policy implication of the findings is that government should place a high priority on human capital development. Efforts should 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. This would propel the economy to higher levels of productivity.

Oladeji (2015) investigated the relationship between human capital (through education and effective health care services) and economic growth in Nigeria, using annual time series data from 1980 to 2012. The study employed OLS methodology and revealed that there is a significant functional and institutional relationship between the investments in human capital and economic growth in Nigeria. Oladeji (2015) found that a long run relationship existed between education and economic growth in Nigeria. He therefore recommends that there is need to increase budgetary allocation to Human Capital which includes the educational sector and the Health sector.

Bosede Comfort Olopade, Henry Okodua, Muyiwa Oladosun, Oluwatoyin Matthew, Ese Urhie, Romanus Osabohien, Oluwasogo Adediran, Olubunmi H. Johnson (2020) studied Economic Growth, Energy Consumption and Human Capital Formation: Implication for Knowledge-based Economy. The new growth model was also adopted. The implication of the result is that increase in economic growth has not improved the rate of capital formation in Nigeria. The study concluded that Nigeria has been slow to identify the strands of global knowledge due to the following: Weak institutions; limited awareness and disincentives preventing them from taking the root to the knowledge and information based- economy. Based on the findings the study recommended; strategies in which education can be incorporated into the growth system.

Ezeanokwasa and Nwachukwu (2014) study the effectiveness of entrepreneurship skills development in reducing unemployment through small business innovation in Nigeria. The study adopted descriptive survey design. The findings of the study showed that the contribution of entrepreneurship skills towards reducing unemployment in Nigeria include improvement in the standard of living. Through innovation that led to introduction of high goods and services and conservation of foreign exchange as a result from reduced importation of machines and equipment, raw materials and payment of foreign goods. It was also found out that there is significant relationship which exists between effective entrepreneurial skills development and reduction in unemployment in Nigeria. It was concluded that provision of infrastructural facilities will enhance production of goods and services at competitive price.

Chart 1: Previous study details

Authors	Date	Topic	Study Area	Variables	Instruments	Findings	Remarks
Mathew B.O	2018	Human Capital Development and Economic Growth in Nigeria	Nigeria	Human Capital Formation and Economic Growth	ARDL bound estimation technique	A long run dynamic relationship exists between Human Capital Development and Economic Growth.	Adequate distribution of health facilities within the federation is imperatives.

## Methodology

The study made use of a descriptive survey design. A descriptive survey design focuses on the people, beliefs, opinions, attitudes, motivation and behaviours. Through descriptive surveys, researchers identify present conditions, prevailing needs as well as provide information on which to base sound decision (Osuala, 2001). Descriptive survey is capable of summarizing large quantities of data using understood measures in form of graphical and numerical techniques (Burns, 2000). The design is suitable for this study because the study ascertained the opinions of the employees and stakeholders of small and medium-scale enterprises in the Nigerian economy. The study adopted survey research design in order to collect relevant and substantive data. Ikeagwu (1997) cited in Ejike (2015) supported the use of survey method to source for facts on information, attitudes, practices and opinions of the respondents.

### **3.3 Nature and Sources of Data**

Primary sources of data were used for this study. It was collated through the administration of copies of research questionnaire to the respondents who are the SMEs operators themselves.

#### **Reliability of the Instrument method**

The researcher used test-retest method to test the reliability of the research instruments. This was done through pilot study to ascertain its effectiveness in soliciting the needed information. Therefore, to verify the consistency of the content so as to achieve reliable coefficient of Human Capital Development, Cronbach's alpha was employed. Spearman rank order correlation was also applied to the data collected from respondents and analysis presented coefficients of 0.80.

#### **Method of Analysis**

The data collected was analyzed using quantitative data analysis methods hence it is a descriptive survey. Major statistical tools were summary statistics of percentage to be arranged in frequency tables, Pearson Product Moment Correlation and Ordinary Least Squares (OLS), Multiple

regression analysis. All tests would be carried out at 0.011 level of significance. That being the probability level at which would be willing to risk type 1 error.

### Data Presentation and Analysis

**Table 1: Section E: Effect of Human Capital Development on Economic Growth.**

S/N	Items of the Questionnaire	Alternative					Response
		Total					
		SA	A	D	SD	UND	
1	Human capital development helps to achieve positive and integral important factor for economic growth.	209 (18.7)	723 (64.8)	157 (14.1)	23 (2.1)	3 (0.3)	1115 (100)
2	Uneven distribution of skilled manpower, Misemployment of human capital in Nigeria, Poor reward system are retarding the acquisition and development of human capital.	400 (35.9)	588 (52.7)	89 (8.0)	37 (3.3)	1 (0.1)	1115 (100)
3	Inadequate human development, weak infrastructure, uninspiring growth of the manufacturing sector, a poor policy, regulatory environment, mismanagement and misuse of resources affects economic growth	298 (26.7)	698 (62.6)	103 (9.2)	15 (1.3)	1 (0.1)	1115 (100)
3	Human beings are the most important and promising source of growth in productivity and economic growth.	378 (33.9)	582 (52.2)	130 (11.7)	218 (1.6)	7 (0.6)	1115 (100)
4	Inefficiently provided basic infrastructure prevents the foreign investors from coming	312 (28.0)	568 (50.9)	201 (18.0)	29 (2.6)	5 (0.4)	1115 (100)

to invest in Nigeria

Total	1597	3159	680	122	17	5575
Total percentage	(143.2)	(283.2)	(6.1)	(10.9)	(1.5)	(100)

Note: (SA = Strongly Agree; A = Agree; D = Disagree; SD = Strongly Disagree and UND = Undecided)

Analysis of research question four in table 2 shows that on the average, the total percentage of 143.2 respondents strongly agreed with all the statements of the items, 283.2 percent agreed with the items, 6.1 percent disagreed with the items, 10.9 percent strongly disagreed while 1.5 percent had no opinion on all the issues raised. Furthermore, the table revealed that some respondents were more critical than others as could be seen in the first, second third, fourth and fifth numbers where the percentage of strongly agreed and merely agreed were stated as 18.7 and 64.8; 35.9 and 52.7; 26.7 and 62.6; 33.9 and 52.2; 28.0 and 50.9 respectively. This also shows variation across the items.

**Table 2: Correlation Matrix**

Variables		Economic Growth	Skill Acquisition Training	Poverty Alleviation Mechanism	Business Making Decision Skill	Lack of Human Capital Development	Lack of Easy Accessibility to Fund
Lack of Human Capital Development	Pearson Correlation Sig. (2-tailed)	0.526**	0.423**	0.643**	0.415*	1	0.476**
	N	0.000 1115	0.000 1115	0.000 1115	0.000 1115	1115	0.000 1115

Note: \*\* Correlation; Significant at 0.05 Probability level (2-tailed).  
\* Correlation; Significant at 0.01 Probability level (2-tailed).

**Table 3 Coefficient of the Predictor Variables and t-values of the Estimate**

	Unstandardized	Standardized
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Model	Co-efficients		co-efficients		
	$\beta$	Std. Error	Beta	t	Sig.
1 (Constant)	- 234	0.167	-	-0.817	0.536
Human Capital Development	0.394	0.065	0.594	2.188	0.023

## Summary of Findings

Having conducted an empirical examination on the effect of Human Capital development on good leadership and economic growth in South-East Nigeria, it was found that, Uneven distribution of skilled manpower, misemployment of human capital in Nigeria, poor reward system is retarding the acquisition and development of human capital.

### 1.1 Conclusion

The importance of effective learning to entrepreneurship development in Nigeria is beyond reasonable doubt in ever changing dynamic business world. We believe that entrepreneurs are encouraged reflective learning. Utilization of Human capital resources brings about growth and development that is capable of turning things around and influences good leadership, sustainability and growth in economy.

### Recommendations

In the light of the above empirical findings in the analysis of data carried out and conclusions made, recommendations were made that since there is a general agreed consensus among scholars that lack of human capital development

affects the development of a society, government should ensure that the right personnel are employed so as to maintain high level of credibility in an organization, which will yield growth in economy

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