

HUMAN CAPITAL EFFECTIVENESS IN CREATING DIVERSIFICATION FOR ECONOMIC DEVELOPMENT IN NIGERIA

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ABSTRACT: *This paper examines the relationship between human capital effectiveness in creating diversification for economic development in Nigeria. To enhance economic development in Nigeria adequate time and resources must be commission into developing human capital. That is providing education and training, infrastructural facilities and friendly working environment that will enable these human element to strive in different dimensions in the economy. This paper further explains that, by so doing, the knowledge, skills and competences acquired by the human element remains an assets to creating enormous ideas that will help in diversifying the economy of Nigeria from oil to non-oil sectors for future economic growth.*

KEYWORDS: Human capital, economic development, diversification.

INTRODUCTION

The earliest period of the twenty-first century witnessed serious decrease in the economy of Nigeria, many issues attributed to this down-turn as observers pointed out that the country, solely depended on oil as her major and chief exports, thereby abandoning other economic resources that could have pave – way for economic expansion and business investment with other nations of the world. Esu and Udonwa (2015) reported that from Ojiabor (2014); and Durodola and William, (2014) respectively, indicated that the statistics from the nation’s finance ministry shows that oil constitutes between 80 percent to 87 percent of revenue and 95 percent of the country’s export earnings. This earnings is, expected to bring wonderful benefit for the country, but instead, there exist constant cries that the economy is insistently going down due to bad management of resources from successive leaders, lack of investment in human capital, corruption and fraud, greed and insensitivity, lack of patriotism, lack of proper value system and lack of moral credentials (Ekene & Ugwuanyi, 2016).

Again why a country such as Nigeria could be facing such an incredible night-mare could be traced from the research work of Baghebo and Atima (2013) on the “impact of petroleum on economic growth in Nigeria” which found minus/adverse impact for oil and corruption on the growth of the economy as cited by Esu and Udonwa, (2015). They indicated that the theory of resource curse attested to be true in Nigeria, other researchers such as Gylfason (2001) and Rosser (2006), noted in their observations why a rich – resource nation could suffer such a drastic relapse in returns so quickly, but the fact of the matter is that the economy is characterized by inadequate investment in human resources, poor exploitation of other natural resources and economic management all of which necessitated inefficient allocation of resources (Esu & Udonwa, 2015). Hence investment in human

capital and integrating their knowledge, skills, competences and abilities in diversifying the economy is inevitable.

However, human capital is the storehouse of many capabilities habited in various dimension, which aid organizations to have outstanding performance. It is the key element in improving a firm's assets in order to increase productivity as well as sustain competitive advantage. Basically, the capabilities are embodied, in the employees through the acquisition of skills, training, education and other professional initiatives as to update the levels of their knowledge, skills abilities and social assets (Alnachef & Alhajjar, 2015). The attributes in the firm's employees causes them to possess the effectiveness to create and develop strategies for economic development that enhances the well-being of the nations.

To this end, the resource – base – view (RBV) has a strategic importance in relation to the human resources of the organization, because it upholds strategic goals that are meant to create firm's human assets that are more intelligent and flexible than their competitors. Although the properties embedded in RBV indicates that competitive advantage rests on the valuable rare, hard to imitate resource that lies within the organization. However, Lau and Idris (2001), cited in Chin and Sofian (2011) described the intellect of human as the most important management resource and that organization depends on people for its existence. Economic development, on the other hand, it involves quantitative and qualitative changes in existing economy that helps in the development of human capital by increasing the literacy ratio, improvement in infrastructure, improvement in health and safety and other areas that aims in increasing the general welfare of the citizens. It therefore, means that diversification is the human capital potentialities, capacities and competences that can bring a change to economic development of a nation (Ekene & Ugwunwanyi, 2016).

Diversification is an important strategy for any form of business to survive and develop, be it, industries, churches, institutions, nations and so on. Diversification is a strong drive, but must be given adequate time to create a change in the process of whatever, it is expected to accomplish. The fact remains that organizations operate in a dynamic environment, hence countries have to diversify their operation in order to have a viable playground to operate. This would help them succeed and bring developmental package that would cater for the well-being of its citizenry.

Consequently, this paper tends to examine the role of human capital effectiveness in creating economic diversification and its relationship in economic development in Nigeria.

LITERATURE REVIEW

Definition of human capital and diversification

The name human capital means that the individual (human being) is naturally endowed with potentials which are in many dimensions, and can make him survive in any given environment. Hence he possesses the key to unlock any door to obtain success. This evidence is the reason for employees being the source of increase in productivity as well as sustaining competitive advantage anywhere they work. Human capital is associated with fundamental areas such as education, training, competencies, capabilities and other professional aids which include, knowledge, skills, abilities social assets etc. These package gives the individual the employability status that causes him to be more productive. Arising from this, the definition of human capital can be seen as “the knowledge, skills, competencies, and attributes embodied in individuals that facilitates the creation of personal,

social and economic well-being” (Organization for Economic Co-operation and Development or OECD, 2001 & Marimuthu, Arokiasamu and Ismail, 2009).

Among the tenets of human capital, the intellectual ability of the individual being is the most vital resource, for economic development in any nation and this hinges on the education and training of its people for transformation in all aspects of the economy. Therefore investing in human capital development leads to economic viability and substantial development. Human capital can also create value as organizational resource in a way of being innovative and creative for development. This can be carried out through brainstorming in the lab, re-engineering new processes or improving personal skills (Bontis, 1998; Stewart, 1998). Also ideas are the elements of human capital that constitute intellectual value of human beings in the organization (Chin & Sofian, 2011). Human capital consists of the individuals assets that are a paradox of unequitable, uncomparable resources of the organization as regards to transformation in every aspect of human endeavour.

Economic development can be referred to as a process of improving basic resources that is more useful and profitable for people and for their wellbeing. It brings about industrialization from the state of undevelopment into actual development, with provisions of basic transformation in different sectors of the economy. This means actual change in the affairs of the masses that gives positive impact in their welfare. Anyanwuocha (2006) defined economic development as a process of increasing real per capital income and engineering substantial positive transformations in various sectors of the economy. The positive changes which take place improve the general well-being of the people and ensure a sustained rise in the standard of living of the masses. Ekene and Ugwuwananyi (2016), sees economic development as the quantitative and qualitative changes in an existing economy. It involves development in human capital, increasing the literacy ratio, improve important infrastructure, improvement of health and safety, and other areas that aims at increasing the general welfare of the citizens. Economic development can also be seen as an increase in the living conditions, improvement of the self-esteem needs and a free just society. Lewis (2012), cited in (Ekene and Ugwuwananyi, 2016) indicated strongly that more than two-thirds of Nigerians are struggling daily for livelihood. Observingly people die while awaiting for their pension and other benefits to be paid, these are individuals that have contributed their quota working for their country. Despite all that accrues to Nigeria in form of high revenue from the production of oil. The masses (i.e workers) in the various sector of the economy are being owed salaries, right from Local Government workers to Federal Staffs. The rate of unemployment stands at 3.1 percent. NBS (National Bureau of Statistics, 2018) while the Gross Domestic Product (GDP, 2018) stood at 350 billion U.S dollars. Eventhough, the unemployment and GDOPO are high, it is cleared that some reasonable number of the population has been contributing to the production of goods and services for which they are paid from the national account. This problem of the economy could not be far from ineffectiveness in leadership and bad governance, that has resulted in poor allocation of resources to strategic areas of the economy. No wonder there is a great number of able bodied youths being unemployed, while poverty is an understatement. A study carried out by Dike (2014) on leadership and the Nigerian economy, revealed that except Nigeria invest massively on human capital development by adequately providing fund for education, infrastructural, facilities and putting other institutions in place to create jobs for its growing population without which the economy will still remain stunted.

However, the economic development of the country has not been fully driven with a sincerity of purpose for the welfare of the citizenry. Perhaps, this informed why economic development indicators in areas such as education, commerce and industries, mines and power, agriculture, social,

health services and other spheres of economic activities is negatively low, without a significant and deliberate attention paid to these sectors of the economy. These in turn affect per capita income of the average worker such that they can no longer satisfy their basic physiological needs, and other needs.

Diversification

Diversification is an important strategy that any business organization, institution or a country could adopt for survival and development without being dependent on one or two aspects of business operations for economic development and expansion. Globally, technology have made nations to be aware of their dynamic environment so as to follow their operations with the knowledge of diversification in their different fields of endeavour, if they have to succeed.

Diversification refers to a strategy involving change in people's ideas integrated to achieve distinct and alternative technologies in performance. Also, Marangu, Oyayi and Gongera (2014) define diversification as a means through which a wide range of products, services, interest or competences are developed or acquired in order to aid co-operate success and risk reduction in corporate operation. This strategy is all about commitment by the government and all policy makers, in both private and public institutions to ensure that it works in a manner that the economy is driven in the right direction for sustainable economic growth. It is of this view, that in Nigeria, the answer to revitalizing the economy is based on diversification, (Asu, 2013). Quoting Femi Adesina, also Esu and Udonwa (2015), strongly argued that for over 40 years (i.e four decades), Nigeria practiced mono-product economy, due to her dependency in oil, it constitutes the main-stay for the country's earnings. About 80 to 87 percent of revenue comes from it, indicating 95 percent of export earnings. In some extreme cases when the oil price drop, it becomes traumatic for the government, due to lack of funds to service other sectors of the economy, such as funding projects like agriculture, education, industrial sectors, health etc.

Obviously, there is need for diversification. Esu and Udonwa (2015), agreed that it is important for the economy to be diversified into other "cash cow" sectors of the economy – like agriculture, solid minerals, tourism arts and others. In today's global and dynamic environment, characterized by technologies in various aspects of human endeavour, diversification becomes an answer to expansion and resourcefulness. Hence an organization that succeeds is one that is constantly adopting the direction and operations to diversify, technologically, socially, politically, economically, educationally in the way it operates (Wali & Ololube, 2015). Infact the concept of human capital points out that the knowledge, skills, competences (i.e attributes) is embodied in individuals facilitates, the creation of personal, social and economic well-being" (Organization for Economic Co-operation and Development or OECD 2001.18). This indicates that people in the organizations and the countries of the world are the assets endowed with the capability of transforming resources into more valuable and productive forms for development to take place.

The key to economic development and sustainability lies in the potentials of the people (human capital). Reason being that the investment in the people through education, training and skills in various technologies expound their intellectual abilities to solve problems. No wonder Bowles (2007) said "Education makes people more obedient and smarter.

THE ROLE OF HUMAN CAPITAL AND ECONOMIC DEVELOPMENT

The human element is the engine that drives every form of activity in different dimension relating to economic development and social welfare of the citizenry either positively or negatively. Becker (1993) cited in Dike (2014) emphasizes that education increases human productivity by improving human knowledge and skills which increases workers productive capacity, future income, and lifetime earnings. The roles include others like.

- Human capital possess collective capabilities in various ways: as experience skills, leadership, intelligence, commitment and all-encompassing ideas that could reach out to economic transformation.
- Investment in individuals in organization through formal education create significant competences which on the long-run boost innovativeness that leads to diversification into other products in the economy.
- Human capital of entrepreneurship skills in addition to its technological skills, and social skills combine in relationship as the physical capital in production process.
- Heterogeneity of human capital, with various characteristics in labour force of organization/nation, sometimes called diversity of top management team have positive impact on performance. Since they emerge from different age group, functional background, education background, tenure and gender. However a good number of studies have shown how the greater heterogeneity nature of human capital has led to creativity, innovation knowledge of members (Watson et al., 1993, Maimunah & Lawrence, 2008 & Marimuthu, Arokiasamy and Ismail, (2009). Hence this plays a significant role of creativity and innovation in organizational performance.
- Entrepreneurship skills embedded in human capital create long-term value in regular cash flow and the key to growth and development of local industries through the processing of local raw materials into finished and semi-finished goods for domestic and foreign markets.
- Developing human capital of the organization plays very vital role in the organization and have significant outcome to economic development.
- Education and training are two component parts of human knowledge that accumulates over time. Learning and education develops professional ability of employees to create knowledge (Liu, 2009). On the other hand, training offers employees with productive knowledge and information in order to increase their firm's market and non-market productivity (Nerdrum & Erikson, 2001).
- Human capital demonstrates an active role in strategic planning especially from the aspect of organizational advantage, companies believe that resources are valuable when they help in improving effectiveness, capitalizing on opportunities and neutralizing threats. Since value is linked with increasing profits in comparison with associated costs. With this understanding,

the human capital can elevate the value of product while reducing the costs but still provide increase performance (Marimuthu, et al, 2009). They further shares the idea that the human capital utilizes its potentials (competences, capacities, knowledge, ideas, uniqueness) to direct the profits made, to other areas of need, thereby playing the role of diversifying the economy.

- It is important to note that human capital is a source of innovation and renewal, either from brainstorming in a laboratory, or re-engineering skills (Bontis, 1998; Stewart, 1998). While ideas are the features of human capital that make up intellectual value of human beings in organization (Chin & Sofian, 2011). This intellectual value result in behavioural changes which conveys some idea of transformation, seeking the welfare and improvement in the standard of living of the people.

Relationship between Human Capital and Diversification through Economic Development

The economy of Nigeria has dwindled so much, poverty level is on the increase everyday. Corruption is seen almost in all sectors of the economy' specially among leaders of parastatals and government establishments. Insecurity is the order of the day. Lack of investment in human capital development, leadership and governance without any moral purpose. Education and its allied has fallen so low, infrastructural facilities has no proper order of increase or getting better. It is of this background that Dike (2014) opined that Nigeria's economy may remain stunk, if the present poor investment in human capital development especially in (education and health), persist, and which also give rise to a high neglect of technical and vocational education and training. Acknowledging this statement Mohan (2003) cited in Dike, (2014) agreed that science based-technology education that is lacking in Nigerian economy have contributed immensely to lack of highly skilled technical manpower and technological capabilities. All these represents a picture that the economy must be diversified. In addition, some professional bodies and researchers have called for economic diversification in Nigeria. One of such body is Asu (2013), reporting on the statement of Femi Adesina (Minister) that Nigeria needed an envision and evolve a nation beyond oil or it could "perish", in order words, Nigeria must diversify. Jonathan (2013) laid emphasis on the increase in the development of non-oil sector and trade, while Esu and Udonwa (2015) are of the thinking that effort should be targeted towards industrialization, opening new investment opportunities that are technologically driven with heavy industrial base, and working activity driven by agricultural sector. Moreso, conducive and friendly, political and social environment, committed people and total battle against corruption and insecurity, must be thoroughly addressed.

Human Capital and Diversification

Human capital possess four basic attributes:

Flexibility and adaptability, enhancement of individual competences, development of organizational competencies and individual employability (Garavan, Moreley, Gunnigle & Collins, 2001). Hence, diversification holds that individual competences remains an assets to creating enormous ideas that can bring about transformation in every aspect of human activity. Hartmann; Dominik and Andreas, (2013) in their thinking sees capabilities associated to human development as basic freedoms of people to be agent of their lives and decide to themselves what is best for them.

Basically, human capital relates to diversification as a change agent that showcases areas of competence in people which could be directed to their competitive advantage through specialization that catches the needs of the society. For instance, in Nigeria, using the intellectual capability of her people (especially educated elites) to design or create a blueprint through brainstorming and re-engineering of ideas, knowledge and skills – to re-direct her mono-economy based, (i.e. oil) to other sectors, such as agriculture, tourism, arts and culture, industrialization etc. This can yield revenue that could be used to re-vitalize other sectors, leading to economic development. In support of this, others scholars observed that the best which could happen to Nigerian economy is diversification of the economy (Asu, 2013; Ojiabor, 2014; Ekpo & Umoh, 2014; and Esu & Udonwa; 2015).

Diversification on the other hand have relationship with human capital, because it enhances people's choices. This reflect streams of economic activities that would be available for them to work on. These economic activities (include commerce, production, services, marketing) which aid to boost economic development. With diversification the relationship with human capital, knowledge, skills and ability (KSA) is that there is high level of creativity, innovation and technological knowledge among the individuals which aids the needs of the society.

Again when human capital is properly accessed, the benefits of diversification of economic activities brings about transformation and re-engineering of the economy leading to improvement of people's welfare and increase the standard if living, as well as revenue generation for the government.

Investing in human capital especially in education and training has relationship with the individual perspective (Marimuthu, Arokiasamy & Ismail, 2009). In other words human capital provides great opportunity for higher learning and learning throughout life, through flexible entry and exist within the system as well as opportunities for individual to develop social mobility (Worlu & Ololube, 2015). This means that this type of diversification which is social mobility have the ability to help intellectual capacity of the individual to be diffused into other sectors of the economy which improves productivity for sustainable economic development.

Relationship exist between human capital and diversification through provision of employment. One of the attribute of human capital is individual employability, because the individual is expected to have received, education and training. In order words, he has acquired various skills, such as (technological, innovative and entrepreneurship skills). With these skills the individual can easily be employed. Therefore, diversification brings about creation of new and ideas different activities, related and unrelated products which, gives room for vacancies for more employment.

CONCLUSION

Nigeria is one country in the world that is richly blessed with diverse resources and the spatial differences in resource endowment is seen as a strong basis for economic diversification. Therefore, the way forward lies in focusing on developing human capital and improving others infrastructural facilities that will serve as a driving force in the diversification process in both public and private sectors of the Nigerian economy.

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