

**REGIONAL DISPARITIES AND THE ROLE OF EDUCATION IN INCOME
DETERMINATION AND DISTRIBUTION: THE EMPIRICAL EVIDENCE
FROM NIGERIA**

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**A Thesis Submitted to
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ABSTRACT

This study examined the sources of regional income determination and inequality in Nigeria with particular attention given to the role of educational distribution (inequality). The motivation of the study was twofold. First, there is a growing concern about the country's economic growth not being evenly distributed. Differences exist in the economic indicators between the Southern (coastal) and Northern (inland) regions, and such a disparity could be a hindrance to national development. Second, a review of previous studies in the regional economic literature suggests that the sources of regional disparity within the country have not been comprehensively investigated. Realizing that the development of human capital through education is critical to income determination and perhaps in reducing economic disparities across the regions, this study analysed, using the spatial econometric method, whether the regional variation in educational distribution is one of the main factors for this disparity to prevail. Data from the World Bank 'Living Standards Measurement Survey' (LSMS, 2013) on Nigeria were used. The study concludes that the leading determinants of regional income level and disparity in Nigeria include not only different levels of educational attainment but also different levels of regional educational inequality. In the Nigerian labour markets, as it is in other developing countries, education premium increases with the level of education. There is a significant variation across regions in the private returns to education in Nigeria, and social returns to education are the highest on secondary education in Nigeria. The findings of this research underscore the point that balanced regional development efforts in a heterogeneous country cannot effectively and efficiently yield the desired result with a 'one size fits all' strategy. The policies should, therefore, take into account regional peculiarities and be directed towards reducing educational inequality both within and between regions in the country.

Keywords: regional disparity, educational attainment, educational distribution, regional income, spatial analysis

ABSTRAK

Kajian ini bertujuan mengenalpasti faktor penentu pendapatan dan sumber yang menyumbang kepada ketaksamaan antara wilayah di Nigeria menerusi penekanan kepada peranan agihan dalam pendidikan (ketaksamaan). Terdapat dua perkara yang memotivasikan kajian ini. Pertama, wujudnya kebimbangan bahawa pertumbuhan ekonomi sedia ada masih tidak diagihkan secara saksama seperti ditunjukkan oleh perbezaan indikator ekonomi antara Wilayah Selatan (pesisiran pantai) dan Wilayah Utara (pedalaman) yang mampu menjadi penghalang kepada pembangunan negara. Kedua, kajian lepas menunjukkan faktor penentu jurang perbezaan antara wilayah di Nigeria tidak dikaji secara menyeluruh. Menyedari pembangunan modal insan melalui pendidikan penting bagi menentukan tingkat pendapatan dan mampu mengurangkan jurang ekonomi antara wilayah, justeru kajian ini menggunakan kaedah ekonometrik spatial bagi mengenalpasti sama ada jurang perbezaan antara wilayah dalam agihan pendidikan merupakan antara faktor utama yang menyebabkan perbezaan tersebut. Data World Bank Living Standards Measurement Survey (LSMS, 2013) bagi Nigeria telah digunakan. Data ini merupakan hasil survei National Bureau Statistics (NBS) dengan kerjasama Bank Dunia. Survei ini melibatkan 5,000 isi rumah merangkumi 36 buah negeri dan ibu negara (Abuja). Kajian ini menyimpulkan bahawa faktor penentu tingkat pendapatan dan jurang di Nigeria bukan hanya disebabkan perbezaan pencapaian pendidikan tetapi juga tahap ketaksamaan agihan pendidikan. Seperti negara membangun yang lain, pasaran buruh di Nigeria menunjukkan pendidikan premium meningkat selaras dengan tahap pendidikan. Dapatan menunjukkan perbezaan signifikan antara wilayah mengenai pulangan pihak swasta kepada pendidikan di Nigeria, dan pulangan sosial kepada pendidikan tertinggi adalah melalui pendidikan menengah. Kajian ini juga mendapati usaha untuk membangunkan wilayah secara seimbang di negara heterogen seperti Nigeria tidak akan berkesan dan efisien dengan hanya menerapkan strategi '*one size fits all*' dalam semua aspek. Oleh itu, polisi yang dijalankan perlu mengambilkira ciri khusus atau keunikan sesebuah wilayah dan menekankan pengurangan jurang ketaksamaan dalam agihan pendidikan sama ada dalam atau antara wilayah.

Kata kunci: jurang antara wilayah, pencapaian pendidikan, pengagihan pendidikan, pendapatan wilayah, analisis spatial

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The critical role of education in income determination and national development cannot be underestimated. It is the leading components of human capital, and it plays a critical role, not only in the advancement of knowledge and incubation of new ideas and strategies, but also in creating conducive social and political landscape that is favourable for sustainable economic growth. Additionally, education takes a leading role, among other factors in elevating people from one socioeconomic class to another by increasing their chances of securing a superior employment and procuring a higher pay. Accordingly, Barr (2003) observed that higher educational attainment is not just an objective that governments should pursue, but a powerful tool for achieving other government's objectives such as income distribution and poverty reduction.

Education makes a significant contribution in a number of ways towards the economic growth and development of the country. It boosts individuals' productivity by providing them with knowledge and skills that are essential in the production process. This channel has been investigated and confirmed by researchers within the framework of human capital theory. In these respects, education is associated with high rates of return, both private and social. At the micro level, education attracts higher earnings of the individual; with more educated people earning more than the less educated ones (Boarini & Strauss, 2010; Ciccone, Cingano, & Cipollone, 2006). Education also enhances labour utilization; the more the education level, the higher the labour market participation rate. It implies that, the more educated people are, the

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