

Long Term Impact of Schooling Capital on Economic Well-being in Nigeria: An Empirical Analysis

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While the general tendency in the literature is to study the causal effects of immediate factors in shaping this outcome, history, according to Ade Ajayi (1965), has played a significant role in shaping the emergence of the middle-class in Nigeria. In this study, we investigate the impact of early 20th century (1900-1925) Christian missionary schooling investment on a specific indicator of economic well-being: wealth index. While Ade Ajayi's proposition is to a large extent all encompassing, this study hopes to partly empirically estimate the extent to which early missionary schooling investment could account for contemporary economic well-being of individuals. This kind of study is all the more important because of significant disparities in economic development across ethnic groups and regions of Nigeria. It is important to know the extent to which Christian mission schools established in the period 1842-1925 could explain these variations. Our historic measure of long term schooling capital is the number of schools established by missionaries in the period 1842-1925 per 100 square kilometre of land per Local Government Area (LGA). In all regressions, long term schooling investment had positive and significant impact on contemporary individual economic well-being. Because the establishment of schools was not random but influence by a number of factors, employing OLS by regressing wealth index on indicator of long term schooling investment and other relevant covariates will produce biased estimates. Therefore, we use IV strategy to produce estimates that that are unbiased and consistent. To overcome this identification problem, we use latitude of each Local Government Area (LGA) as instrument for long term schooling capital. Both OLS and IV results show that long term schooling investment has significant and positive effect on individual wealth accumulation, with IV results about a third higher than OLS estimates. Fortunately, our instrument turns out to be strong, exceeding the benchmark F-Statistic of 10 suggested by Bound, Jaeger and Regina and Stock by a wide margin. Not only did we show that our results are not driven by omitted variable bias, a number of econometric tests show that our IV instruments are strong and exogenous as well.