Analysis of Socio-Economic Benefits of Education in Developing Countries: A Example of Pakistan

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Abstract

Education is a purposeful activity and has great implications for both the individuals and the societies. This paper examines the social and economic benefits of education in developing countries in general and Pakistan as a developing country, in particular. The study is ex-post facto research in nature and primarily based on the secondary data. The study explores that the monetary and non-monetary benefits of education to the society are numerous such employment, earning, poverty alleviation, export rate. On economic front while social responsibility, health care, political awareness, etc on the social front. The government and the civil society have to invest in education to reap the benefits of education more socially than economically. This is the only way to make Pakistan a peaceful and safer place rather through other measures. The security insurance consequently, affects the country’s economy positively.

**Keywords:** Socio-economic benefits, ex-post facto research, monetary and non-monetary benefits.

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Introduction

Education at present oriented in a way to promote “values of an urban, competitive consumer society” (Patil, 2012, p.205), therefore, it is globally acknowledged source of socio-economic growth and development of a nation besides its moral and cultural aspects (Government of Pakistan, 1998), which plays a role in the development of human capital that has strong as well as constant positive outcomes for the efficiency of a country, which ultimately affects the economic development. Furthermore it exerts substantial implications for the social cohesion and national integrity of the country and consequently, minimizes the inequalities (Government of Pakistan, 2010). The attention to the education sector and wide access to the education greatly helped in reducing “the disparities not only between countries but also within countries” (Checchi, 2006, p.5) creating high employment opportunities for the people in general irrespective of their gender and race. All the worker are paid according to their “marginal productivity” that varies with the “embodied human capital input” (Checchi, 2006, p.20).

The education system is developed and evolved by the human society and vice versa. Therefore, education is considered as an important investment for both human as well as economic growth and development that influenced by the settings where it exists. Customs and traditions, beliefs and faith collectively affect and affected by the education system. However, the pace and pattern of the factor of permanence and change continues is determined by the society (Government of Pakistan, 2009).

Human society is a combination of monetary and non-monetary factors and hence both are to be considered whenever an activity is planned or taking place. Education is one such activity which both the way affects and gets affected. It has multifaceted impacts on the society and its economy. It induces economic growth and development positively on one hand and reduces poverty creating a cohesive social and politically stable environment which attracts investment. On the whole, it makes workforce comparatively more dynamic and productive, more socially polite (Afzal et al, 2010).

The economic growth of a country requires both physical and human capitals. The human capital works as a soul animating the physical capital of the country. It is not only necessary for the strong and viable economy but equally important for the political stability and a conducive social environment (Javed et al, 2008) and thus “sustainable growth and development of economy is dependent on it (Afzal et al, 2010, p.40).
Education plays a major part in the formation of human capital of a society and hence provides a strong foundation for the socio-economic development of the country by raising the efficiency and productivity of the individual members and turns them as skilled manpower, ensuring a sustainable economy (Memon, 2007).

It is commonly considered tool for poverty alleviation, increasing economic growth, people empowerment, cherishing personal earnings, encouraging a friendly and flexible environment paving way for a competitive economy. Furthermore, it provides for the new generations strategies coping the complexities of economies in future (Afzal et al, 2010).

Education provides for none other than the skills, knowledge and capabilities through which the individuals have to be nurtured and developed in order “to produce the required manpower in adequate quality and quantity”, which signifies a key objective of the educational institutions at all level such as schools, colleges, universities (Fasasi, 2011, p.125).

Education speaks not only for the productivity of labour market but equally provides that scarcity of sufficient and required skills proved sometimes as one of the vital constraints for the economic growth of nations. This is very true for the poor countries where workers have no basic literacy as well as numeracy skills consequently such nations also face the deficiency of having experts in various fields (Berg, 2010).

Besides, the economic development education has social benefits. The social benefits encompass all the non-monetary effects of education such as saving lives, lower fertility rate, improved conditions sanitation, educated woman that can be enrich the workforce and contribute to the labour market once they were not part of it (Jimenez & Patrinos, 2008). In addition, the positive effects of education also include the interaction of educated people resulting greater social cohesions and alike.

Furthermore, education is one of the most important means of combating dangerous diseases such as HIV/AIDS across the globe. This ensures the health society of people in the world by creating awareness through educating people. In addition, the other positive social impacts of education though not directly related to poverty but equally important, including improvement in functioning and continuity of democracy and reeducation in crime rate (Berg, 2010).
Patil (2012) has very rightly analyzed the situation regarding education in static and dynamic societies. She argued that in static societies education is meant just for transmitting the customs and traditions of the society to its new generations. On contrary in dynamic societies the function of education kept broader and do not restrict only to transmit customs and traditions to the new generation but equally preparing them for adjustment in the new situation whenever may occur in future.

**Objectives of the study**

The objectives of the research study were:

1. To explore the Socio-Economic Benefits of Education in Developing Countries
2. To analyze the Socio-Economic Benefits of Education in Developing Countries

**Methodology**

The study is ex-post facto research in nature and primarily based on the secondary data. Research method is based on document analysis.

The review of available literature on the topic is part of the succeeding section in this paper.

**Literature Review**

Education is one of most important variables that play a key role in the advancement of human capitals across the world. Numerous research studies provide it that “the pace of economic growth of the developed countries could not be achieved without the stock of human capital” (Javed et al, 2008, p133). It is the continued boost of the knowledge economy that has produced powerful new inducement for the general public to develop their talent and abilities through education (OECD, 2012).

Presently, mostly the developing countries of the world are suffering from a number of economic and socio-political problems such as rapid population growth, exploitation, inflation, unemployment, corruption, low earnings and especially political instability due to poor literacy rate. In this backdrop, education is considered to be the only effective solution that a country can utilize for the development of its economy and social wellbeing. Among the SAARC member states, the impact of education has not been tested by the masses as well as the policymakers as a channel of nation-building. Well documented national education policies suffer failure primarily due to deficiency of devotion and dedication on the part of implementing machinery (Kazmi, 2005).
Since long the returns to investment in education were higher at primary level of schooling. The shortage of human capital in poor countries provided a considerable benefit to invest in education. This justifies making education a priority in poor and developing countries across the globe whereas the returns to education at almost all levels are comparatively lower. A comparison in this regard is given in the figure 1. The higher returns to education in poor countries can be associated with the reason of having deficiency of human capital in these countries (Jimenez & Patrinos, 2008).

Figure 1 *Returns to Schooling by Region (in percentage)*

The contribution of education to economic growth of societies is well recognized. The history of research on the topic shows that each year of education put in0.58% to the economic growth rate (World Bank, 2007). This is evident for both developed and developing countries.

Across the globe, it is a general phenomenon that likelihood of having job associated with having higher levels of education. Similarly, the earnings also affected by the levels of education a person has. It means that earnings and education have a direct relationship. In other words, a well educated family is rarely to be poor. The higher salaries in the labour market for the well educated individuals are mainly due to their higher productivity, which signifies to the employer at the time recruitment. Countries with average income have greater opportunity and highly developed markets for the skilled and educated workforce in terms of better jobs and consequently higher wages (Berg, 2008).
Studies such as Hanushek and Zhang, (2006), Hanushek and Wobmann, (2007) reveal quite convincingly that good quality education advance economic growth. The effect of high and continuous degrees of economic growth and development on a society as well as on general development would be very high. The increased economic growth and development can alleviate poverty in the developing countries considerably for instance China and India are the best examples to cite here in the context.

Sun (2012) provides that higher education is meant for equipping individuals to acquire employment capacity and other sources of livelihood as well develop them for future life. Meeting this objective, universities are required to offer complete and comprehensive education programmes and provide guidance to their students regarding their employment. By doing these universities will strengthen the professional career planning among students helps them to find a suitable position, correcting their employment concepts and thus facilitate their comprehensive development.

It was formerly thought that the measurable returns to education were highest at lower levels of schooling i.e. primary. Nevertheless, some research studies provide more mixed evidences whereas other studies carry on the same earlier plea. But there are much evidences in support of higher rate of returns to secondary and tertiary education some of the countries. The private returns to primary and tertiary education are depicted in the table 2.1 below. The vary in results show that returns to education differ with varying factors like development level, availability of educated workforce, as well as demand for such type of workforce in development process (Berg, 2008).

### Table 1

<table>
<thead>
<tr>
<th>Country/Region</th>
<th>Private Returns to Primary education</th>
<th>Private Returns to Tertiary education</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>26.6%</td>
<td>19.0%</td>
</tr>
<tr>
<td>Papua New Guinea</td>
<td>6.0%</td>
<td>9.2%</td>
</tr>
<tr>
<td>Philippines</td>
<td>9-10%</td>
<td>17.0%</td>
</tr>
<tr>
<td>India</td>
<td>2.4%</td>
<td>10.3%</td>
</tr>
<tr>
<td>Kenya</td>
<td>7.7%</td>
<td>25.1%</td>
</tr>
<tr>
<td>Nigeria</td>
<td>2-3%</td>
<td>10-15%</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>25.0%</td>
<td>27.0%</td>
</tr>
</tbody>
</table>

Education affects not only the workforce alone but it has equal implications for the business communities and exporters. A strong and positive relationship has been found between different levels of education and export competitiveness as depicted in figure 2 and 3. However, difference has been found for higher level of education in the least developing countries vis-a-vis the high earning developing countries and developed countries speaking for the presence of other affecting factors (World Bank, 2009). The figure 2.2 and 2.3 provides data for the countries such as: Brazil (BRA); Bangladesh (BGD); Chile (CHL); China (CHN); Ghana (GHA); India (IND); Indonesia (IDN); Kenya (KEN); Sri Lanka (LKA); Mexico (MEX); Mozambique (MOZ); Mauritius (MUS); Malaysia (MYS); Pakistan (PAK); Philippines (PHL); Thailand (THA); Uganda (UGA); and South Africa (ZAF).

![Figure 2](image_url)

Figure 2 Export Sophistication and Competitiveness and Level of Higher Education (Percent of the Labor Force that has Completed Higher Education)
Source: The World Bank, 2009, p.23
Besides the economic benefits or direct returns of education has been wide acknowledge and discussed by both the economists and education. Whereas, the social benefits or the indirect returns to education are mostly ignored especially by the policy makers. However, many observers have draw attention towards the substantial benefits of schools and urge the governments to invest in education not for the sake of economic benefits for the sake of well being of the individuals and community (Riddell, 2004).

Milligan el al (2003) and Dee (2003) study the impact of education on voting and improved citizenship. In both the study the research attempt to highlight the general behavior of educated people regarding the political activities in the country.

Lochner and Moretti (2004) analyze the impact of education and criminal activities. The study provides that education and crimes have an inverse relationship. The higher the level education, the lower is crime rate. The study also highlights that education heighten an individual’s rate of future consequences for the punishment as a result of a crime.

In addition, education provides other noneconomic benefits, such as nation building and socialization (World Bank, 2012).
Both the general and vocational education has social benefits as well as economic benefits. These can be studied at three different levels such as macro-level, meso-level and micro-level. The macro-level benefits speak for society as a whole, whereas the meso-level benefits provide for the benefits at group or organization level while the micro-level benefits explain the individual level benefits of education. Figure 4 clearly categorizes all the three level benefits in both categories (Cedefop, 2011).

![Figure 4](image)

**Figure 4 Level of Socio-Economic Benefits of Education**

*Source: (Cedefop, 2011, p.7)*

The classification of the benefits among the three levels is not exhaustive, rather overlapping in some cases for example a training programme carried out in an organization results in the satisfaction of workforce and hence become more productive. The benefits at these levels are interdependent on each other (Cedefop, 2011).

The problem with the developing countries is the availability of a well-to-do education. The developing countries either do not have adequate resources and opportunities to education their masses, or if have some resource, the question of quality education pose a threat to the development of human capital. A poor quality educational system might be among one of the significant reasons of being poor these developing countries are (Memon, 2007). Due to this fact, the weaker nations suffered due to their illiteracy for number of years. The illiteracy caused their social backwardness put them to humiliation, persecution, and economic exploitation at the hands of other nations (Patil, 2012).
Pakistan

Pakistan with a low literacy rate of 10% approximately at the time of its inception having only about 10,000 primary schools. Realizing the significant role of education in the social welfare and economic uplift of the country, the government of Pakistan has devised a number of national education policies to boost the pace of development. As a result of certain policy measurers and education reforms, the literacy rate get on improving gradually as 29.5%, 40.7%, 52.7% and 57.4% in 1980s, 1990s, 2000s and 2008-09 respectively. However, the increase in literacy rate is not sufficient and far behind the Millennium Development Goals’ literacy rate. In order to meet the Millennium Development Goals, the Government of Pakistan has laid down a target in respect to literacy rate of the country to 85% which is to be achieved by 2015 (Afzal et al, 2010).

Economic Benefits to Education in Pakistan

Akram and Khan (2007) investigate the occurrence of public spending on education in Pakistan at different level such as urban/rural and provincial level studying the data of the Pakistan Social Standard Living Measures Survey 2004-2005 by utilizing the three step Benefit Incidence Approach methodology. The study finds that public level expenditure on education at all levels in Pakistan is progressive. However, some inequalities were also observed in the portion of different earning groups’ benefit from the stipulation of educational services and facilities shaped by the public expenditures.

Nurudeen and Usman (2010) explore the relationship of public spending on the school level education and find it significant in the development of country’s economy. On the other hand, Faridi et al (2010) establish a strong positive relationship between students’ earnings and their higher education using the Mincerian human capital model.

In the light of such type research studies the latest national education policy of Pakistan highlights the potentials of both a violent and a virtuous sphere working from impartiality of educational chances to fairness of income allocation, and thus from social solidity to economic development. In confirmation of assurance to Pakistan’s democratic education vision for all citizens and leading towards the socio-economic development can ensure a virtuous circle of superior human as well as social capital (MoE, 2009).
The prevailing National Education Policy of Pakistan embodied the national desire for a strong and viable economy social glued society in its aims and objectives. The number and wording of the aims and objectives are as under:

- To revitalize the existing education system with a view to cater to social, political and spiritual needs of individuals and society (objective No.1) (p.10).
- To promote social and cultural harmony through the conscious use of the educational process (objective No. 5)(p.10).
- To enable an individual to earn his/her livelihood honestly through skills that contribute to the national economy and enables him/her to make informed choices in life (objective No.17)(p11).

Enhancing the quality of education, with special reference to the relevancy to the needs of national economy, develop into an equally significant strategic concern (MoE, 2009). Thus materializing the stated objective the policy document provides policy actions measures to match the employment market.

1. The review of secondary and higher secondary course must be made align with market needs, which will help the students to adjust themselves in the job market (p.41).
2. Technical and vocational education at secondary level need to be evaluated in order to assess its effectiveness and to make it more improved and productive. The two streams at secondary level should enable the students for jobs satisfaction and their higher level education and training (p.41).
3. The opportunities to observe the world of work for students shall be ensured. Local enterprises could be utilized for this purpose which will enhance students’ adjustment and will motivate them regularly. (p.41)
4. Career information centers need to be opened at each cluster level which could provide information regarding jobs and its basic needs and eligibility criteria. Local employees and other such resources shall be utilized for this process. (p.42)

Using the data of Pakistan Integrated Household Survey (PIHS), Javed et al, (2008) examine the return to education through using Mincerian-Earning Function. The study investigate economic return for each education year at different levels of education from primary to masters as given in the table 3.1.
Table 2

Distribution of Income according to the Level of Education

<table>
<thead>
<tr>
<th>Education Level</th>
<th>Average Respondent’s Monthly Income (Rs.)</th>
<th>Average Family Monthly Income (Rs.)</th>
<th>Per Capita Income (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Schooling</td>
<td>2945.00</td>
<td>7765.60</td>
<td>2021</td>
</tr>
<tr>
<td>Primary</td>
<td>3323.50</td>
<td>8694.00</td>
<td>2343</td>
</tr>
<tr>
<td>Middle</td>
<td>4495.50</td>
<td>10541.00</td>
<td>2253</td>
</tr>
<tr>
<td>Matric</td>
<td>3300.00</td>
<td>10320.00</td>
<td>2943</td>
</tr>
<tr>
<td>Above</td>
<td>8254.00</td>
<td>11923.00</td>
<td>2428</td>
</tr>
</tbody>
</table>

Source: Javed et al, 2008, p.139

The data in table 2 indicates the relationship between the individuals’ education and their earning. It shows that the higher the level of education, the higher is the individual as well as family monthly income. The Per capita income, given in the table also purports a positive relationship with the level of education. The data is provided only for general education, the rate of returns would higher for the vocational and technical education.

Afzal et al (2010) conducted a study utilizing the annual time series data on GDP, physical capital, inflation, poverty, and school enrollment ratio for the period 1970-71 to 2008-09 to investigate both the short-term and long-term relationship between economic growth and school education in Pakistan. Both short-term and long-term models verify the positive and significant effects of physical capital, net school enrollment on economic growth. However, Inflation adversely affected the economic growth both in short-term and long-term. It also adversely affects the school education only in long-term. The study finds a relationship between school education and poverty. The impact of poverty on education is positive in long-term while those are negative in short-term.

Another study conducted by Khattak and Khan, (2012) provides that education contributes to economic development. The study was conducted on the basis of Johansen’s Cointegration test which results that both elementary and secondary level education contribute to the Real GDP per Capita in Pakistan. Aslam et al (2010) has shown a relationship between the predicted earnings and the level of education an individual has attained. The figure 5 illustrates the relationship.
Social Benefits of Education in Pakistan

Education is a social institution and therefore, has more social benefits than the economic benefits not only in Pakistan but across the world.

The provision of education inculcates self and social awareness among the members of community and they behave in a responsible way. Their angle of view gets changed. They treat other members of the community in a positive manner (Javed et al, 2008). The data given in table 3.2 shows a positive relationship between the levels of education and liking of women education, women health facility, family planning and vaccination.
Table 3

Social Benefits of Education

<table>
<thead>
<tr>
<th>Education Level</th>
<th>Liking of Women (%)</th>
<th>Women’s Health Facility (%)</th>
<th>Family Planning (%)</th>
<th>Vaccination (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Schooling</td>
<td>52</td>
<td>82.60</td>
<td>51</td>
<td>27</td>
</tr>
<tr>
<td>Primary</td>
<td>88</td>
<td>88</td>
<td>82</td>
<td>50</td>
</tr>
<tr>
<td>Middle</td>
<td>91</td>
<td>91</td>
<td>82</td>
<td>57</td>
</tr>
<tr>
<td>Matric</td>
<td>100</td>
<td>100</td>
<td>75</td>
<td>75</td>
</tr>
<tr>
<td>Above</td>
<td>92</td>
<td>100</td>
<td>67</td>
<td>90</td>
</tr>
</tbody>
</table>

Source: Javed, 2008 et al, p.141

The data indicates that people develop more liberal behavior regarding their female’s education as they acquire it themselves. This can be due to liberal attitude, sophistication and broadening of vision due to education. Furthermore, the data show a clear change in behavior of people with increasing level of education but a slight decline also visible in the behaviour beyond the matriculation. The change may be that early levels of education create awareness, which subsides with the passage of time and little heed paid.

Pakistan is the victim of terrorism since very early but the same has intensified by the beginning 21st century in the wake of 9/11. The militancy has raised many-fold. This has been mostly witnessed in the areas where the literacy rate is very low. The militant are operating in the provinces of Khyber Pakhtunkhwa and Balochistan, where the literacy rate is low in comparison to other provinces. The literacy rate in different provinces of Pakistan (Punjab=59.8%; Sindh=60.1%; Khyber Pakhtunkhwa=53.2% and Balochistan=49.8%) in 2010-11(Government of Pakistan, 2011). The literacy rate for the two terrorism-affected provinces is far below in some of the remote areas which provide a safe haven to the militants.

The diverse nature of population of the country brought under a single umbrella and social cohesiveness can be advanced through the means of education. The research studies show that school level education is very much helpful in attaining social cohesion. However, the higher education little contributes to this aspect (Kazmi, 2005). This might be the frustration caused by the little opportunities of the highly qualified human resource in the country who have not that much gain as they were expecting. It also indicates that self-satisfaction more at the school level education among the individuals as compared to the higher level.
Similarly, primary level education is more helpful in creating the sense of good and balanced diet. However, a significant conclusion drawn in the study is that only 10 years of schooling hold positive as well as significant impacts on the variable under study, so it mention worthy in the case of Pakistan, the every individual should be provided with the opportunity to have the minimum education up to secondary level (ibid). The situation is well understood by the high ups in Pakistan and even the parliamentarians so they have made it part of the constitution that secondary level education should be free and compulsory.

Findings

Economic Benefits to Education in Pakistan

1. Higher the level of education, higher is the individual as well as family monthly income. The Per capita income, given in the table also purports a positive relationship with the level of education. The data is provided only for general education, the rate of returns would higher for the vocational and technical education.

2. The impact of poverty on education is positive in long-term while those are negative in short-term.

Social Benefits of Education in Pakistan

3. People develop more liberal behavior regarding their female’s education as they acquire it themselves. This can be due to liberal attitude, sophistication and broadening of vision due to education.

4. There is clear change in behavior of people with increasing level of education but a slight decline also visible in the behaviour beyond the matriculation. The change may be that early levels of education create awareness, which subsides with the passage of time and little heed paid.

Conclusion

The primary education has more benefits in Pakistan as the people need first to be educated at the gross root level to create a socially cohesive society and provide a strong footing to the economy of the country. The importance of higher level education does not diminish any way, however, many rural areas are still deprived of the basic education.
The first and second storey of a building is constructed when there is base for them. If we start thinking of the higher education and paying little heed to the primary level education, the result would be of frustration not only for those who have not attained education but equally for those who got the higher level of education due to non-conducive environment in the country.

The economic benefits of education can only be reaped when the situation suits it. The safe and secure environment is the pre-requisite for the vibrant economy. Unfortunately, Pakistan suffers from the menace of terrorism, which can be counter through the provision of adequate and well-to-do education system.

The research studies highlighted that the economic benefits of education primarily linked with the social benefits. If the social benefits are not there, the economic benefits might not be existed and vice versa.

References


