

Saving and Primary Education Led Development

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1-1 Introduction: -

Until World War II, rarely any interest was shown in the problems of the present day third world countries. Before World War II most of the present day least or less developed countries of Africa and Asia were colonies of the Western European countries. Under the circumstances the existence of these countries was recognized either because they were the sources of raw materials and capital required by the metropolitan countries or on account of the market they provide for the finished products of the latter. However, though these countries have won their independence yet to a great extent their development is dependent on developed countries as they cannot develop without receiving massive financial and technological aid, while others can manage modest growth even if they fail to receive any external assistance. It has been observed that greater the dependence of a country on others, whether in respect of the importation of capital, technology, and industrial raw materials or in respect of market for its primary products, greater are the chances of its underdevelopment. However, to break this “vicious circle of dependence” as I prefer to call it, these countries must undertake socio-economic and political transformation and reforms as well. This would definitely assist in identifying their development priorities and strategies, henceforth, developing technology that suit their structure, beside building up a potential for self reliance development rather

than copying a technology that meant for different society and mismanagement of foreign financial aid which would ultimately lead to a debt trap. By this I don't intend to advise the LDCs to boycott or block foreign technology, rather I call for adapting it as per structural and transformation requirement.

1.2 Savings: -

The less developed countries (LDCs) have 5% or less rate of saving. These savings are not invested for development; rather they are utilized for purchasing assets like land, gold etc. Low level of saving is due to unproductive consumption by the class, which can save. This is due to the feudal structure of the economy. Hence, capital formation is very low. It is not surprising that why the saving rate is lower in LDCs. If the income level is low, the propensity to consume will be high, and as a consequence capital formation will be low. However, since the underdeveloped countries are caught in a vicious circle of poverty they do not have much capacity to save.

Kuznets (1979) has observed that “ the underdeveloped countries differ from developed countries in several respects:-

- 1- Large share in private consumption (73 to 75) per cent compared with 64 to 66 per cent for developed countries.
- 2- Slightly lower share for government consumption (11 to 15 per cent compared with 12 to 14).
- 3- Distinctly lower share for gross domestic capital formation (15- to 16 per cent compared with 22 to 23 per cent).
- 4- Lower share of gross national capital formation (14- 15 per cent compared with 22 per cent).

This reveals that low level of saving is due to low income and unequal distribution of income in these countries. Demonstration effect has also a role to play in a high rate of unproductive consumption in these countries, additionally, inappropriate government incentives to promote and increase saving is another stumbling stone.

In Sudan lack of adequate saving imposed heavy dependence on external sources of investment funds, and further required that government fiscal policy be geared up toward financing major share of the accumulation of capital. However, this external dependence led to debt trap in Sudan the extend that at some point Sudan been termed as “severely” indebted country and the total debt service as a percentage of GNP was 3.5 in 1980 and 6.0 in 1978 (World Bank 1997). The crucial factor responsible for this plight is invariably the low level of per capita income, which dampens opportunities for saving. However, lack of foreign capital investment (which ensures inflow of foreign capital) can be directly linked to poor infrastructure and incentive as well, and of course the terrible political instability.

Saving is the crucial factor which, break the vicious circle of poverty through investment promotion in the economy by directing saving into productive investment that increase the GDP which ultimately leads to an increase in the level income and standard of living. This required a sound banking system, which encourage and mobilize saving no matter how small they are. The sound banking system implies that banks should not

invest such savings in non-performing assets such as buildings unproductive loans etc. Saving class should be motivated to save through different incentives within the framework of the fiscal policy of the government through the central bank. However, investment priorities have be well set and defined in order to make investment more productive. Financing the agricultural sector should be made the core priority.

Financial reforms should be undertaken to ensure sound financial system. This implies sound banking system that functions efficiently and furnishes necessary funds to meet the investment requirement of agricultural and industrial sector and other sectors of the economy. This requires abandoning of all unproductive expenditure and loans. However, another crucial measure that has to be undertaken is that banks should not only play the intermediation role that is to mobilize savings and make them available for productive investment. This implies that banks should not get involved in purchase and marketing of agricultural crops as they do now in Sudan. However this will deprive the farmers of enjoying substantial or decent profit that will motivate them to save and invest more and ultimately lead to development and better agricultural performance. However, besides depriving the farmers of substantial profit this practice will lead to hoarding and price increase and exploitation of the farmers as they will buy from the farmer at low price and sell it at higher price. The far dimension of this policy is that it will ultimately lead to poverty eradication in the long run. However,

as another measure of poverty eradication the public distribution system should be introduced. Under this system government agencies will buy the products from the farmers and sell them at subsidized price to poor and needy people. Additionally, the unproductive assets holdings of the banks should be lowered. This implies cut in banks investment in unproductive assets and directing such funds to more productive investment in the economy,

Loans should be made available for productive investment at reasonable or encouraging rate of “Musharaka” to promote productive investment. Additionally, taxes should be such that farmers are motivated to increase production. Live stock sector, which account for 21.8% of GDP, has to receive due attention in the form of necessary medical patronage and availability of funds considering its size and importance. The strategic importance of this sector is that it could provide considerable input for different industries and leather industries in particular.

1.3. Primary Education:-

Economic development, is ultimately, concerned with improving the quality of life. Among the means that can be use to pursue this objective, the expansion of income (beside other factors affecting income and quality of life relationship) is an important determenant. However, education can play a crucial role both in enlarging people’s income opportunities and in

enabling them to achieve a better quality of life at a given level of income. However, there is no doubt that educational achievement itself is considerably influenced by income. But aside from private income public action is a crucial determinant of educational achievement too. This implies that there is a need for effective campaigns to raise literacy levels, which ultimately leads to efficient quality and quantity of human capital, which is necessary for economic growth. The importance of human capital in economic growth is above doubt. In this regard Colclough (1982) advocated that shortage of human skills has been viewed as an explanation of disappointing growth performance.

Primary education has a significant role to play in the process of socio-economic development. It increases the stock of human capital, which is indispensable for economic development. Additionally, socially primary education brings about a change in the behavior, attitude and cognition of an individual. The changes in attitude and values promoted by schooling have been recognized for many years. Indeed the school has been used in some societies as an explicit means of changing earlier ideals and values to ones more supportive of those societies. This has perhaps been most common during periods of socialist transformation, as in Tanzania, China and Cuba

Primary education or schooling raises labour productivity through its role in increasing the cognitive abilities of workers. At the lower occupational level, basic numeracy and literacy,

and the higher levels, a greater capacity for logical and analytical reasoning., for self-expression, and extremely sound technical knowledge, have held to have fundamental impact. Upon effectiveness at work, and to provide the mechanism whereby the link between education and personal income becomes established (Becker, 1964, chapter 2). However in many countries employment is codified in terms of the minimum levels of formal education or training required. Also persons with more education tend to receive higher wage than those with less education. This may signify the importance of education in general and schooling or primary education in particular. However, other effects of primary schooling according to Colclough (1982) is the way in which it influences and affects females fertility depending upon the amount of schooling they receive. In this regard he identified three main ways:-

- 1- It affects the biological supply of children by raising the age of marriage and reducing the proportion of women who are married. It is also associated with a reduced exposure to pregnancy for women.
- 2- The demand for children tends to reduce with schooling as perceived cost (up bringing of children) appears to rise.
- 3- The knowledge of how to regulate fertility through contraception increases with schooling. However, all these stand to confirm the importance of primary education or schooling.

Since population pyramid has broad base of young population in LDCs primary education is imperative for any socio-economic development. Primary education cannot be undertaken by importing foreign cadres, as this will involve huge economic cost due to the size of the base. Additionally, domestic values, tradition and culture will be at stake in the presence of foreign cadres at that level of education. However, at higher level of education especially technical education foreign cadres may be required.

Primary education in LDCs is lower than that in developed countries, Further more in rural areas of most LDCs enrollment ratio for primary education is lower than in the urban areas. There are not only fewer schools, but also higher economic demand on children, such as minding cattle and finding water or firewood, while their parents are less able to pay the necessary fees. Many children have to walk long distances to school, and tend to drop out sooner if they are suffering malnutrition. Thus, deprivation affects the ability of even bright and motivated children to enroll in and continue in school. Another problem encountering primary education in these countries is its quality, which is hindered by their limited resources and lower investment in education. Thus, even if primary education expands in these LDCs its quality remains lower than that which prevails in developed countries, which is hospitable with better resources and higher educational investment.

1.4 Conclusion:-

Economic transition implies changes in economic and social institution. Changes in economic structure means increase in the

production of industrial goods, size of primary, secondary, and service sector. Changes in the social structure means changes in value system and tradition, such changes initiate and support economic changes . Hence, for economic development to be initiated such changes have to be undertaken. Additionally economic development includes changes in institutional structure, setting up of new institutions, these institutions are important for industrial development and technological changes e.g., new institution such as financial institutions, production organizations. Social changes signify changes in caste-based structure of the society. Thus a comprehensive socio-economic and political reforms and transformation are the called for in order to initiate the process of development in our economy.

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