Abstract

Industrialization is critical to national economic development because it equips nation with the skills, equipment and processes to make fuller and better use of its resources for greater and more diversified production and exchange. In the last fifty years, many developing countries have transformed their economies through rapid industrialization, even in Africa and other nations in Europe, east and North America which hitherto they were parallels with Nigeria. But Nigeria is not among them. This paper analyzed the fact that Nigeria is one country that has numerous challenges yet has the great potential for industrialization, which should be fully exploited.

1. INTRODUCTION

The importance of industrialization to the economic development of any country be it developing or developed cannot be overemphasized. In fact, the relationship between the two variables is a direct one. From industrialization to economic growth. Thus, almost all economically developed countries are industrialized. What does it mean to industrialize? Obviously the replacement of hand tools by machine and power tools is the sine qua non of an industrialized society. But industrialization also involves vast economic and social changes, e.g., a tendency toward urbanization, a growing body of wage earners, increased technical and advanced education. By studying these and other concomitants, one can detect the sign of incipient industrialization in Nigeria.

Industrialization has been seen as a veritable channel of attaining the lofty and desirable conception and goals of improved quality of life for the populace. This is because; industrial development involves extensive technology-based development of the productive (manufacturing) system of the economy. In other words, it could be seen as a deliberate and sustained application and combination of suitable technology, management techniques and other resources to move the economy from the traditional low level of production to a more automated and efficient system of mass production of goods and services (Ayodele and Falokun, 2003). Industrialization is also the process of transforming an extraction based economy into a manufacturing based economy. By extractive based, I mean an economy that relies on the extraction and exportation of primary products (raw materials). Like farming, fishing, mining and so on. While the industrialized nations relies on the transformation of these raw materials into finished goods for domestic use and export.

Industrialization is regarded as a central object of economic policy in most developing economies. They see industrialization and agriculture as an integral part of development and structural change. Some economic analyst was of the view that industries play a vital role in the economic growth and development of any country. In this research work, effort is made to analyze the impact of the industrial sector to the economic development of Nigeria. Generally, the industrial revolution which took place in Britain between the late 18th and 19th centuries has gotten much to do with the present set back on industrial development led to the factory process that metamorphosed into industrial production. Thus, history recorded that the industrial sector performance in Nigeria’s economic growth is as old as the nation itself. It dates back to the amalgamation of the southern parts of the country in 1914 to for the geographical land mass called Nigeria. By a representative of the colonial administration of Britain Lord, Fr. Fredrick Lugard.

As soon as independence was over, the government of Nigeria embarked on import substitution as an industrial strategy in order to reverse the problem of deficit balance of trade and fasten industrialization among other reasons. Right from the first national development plan (1962-1968) to the fourth national development plan (1981-1985) rapid industrialization received priority in Nigeria’s development objectives. The government sector for instance, the allocation of 16.2 percent of the budget plan to the manufacturing sector during the third national development plan (1975-1980) was the highest.

The industrial policies and strategies of development were adoption of import substitution strategy, expansion of indigenous equity participation in foreign owned enterprises, provision of integration, linkages and diversification of industrial increased.
domestic resources content of industrial product and provision of financial and manpower resources to promote research and adoption of technology to encourage the small and medium scale industries and public sector participation and control of some large industrial products such as iron. To withstand the rising problems of the sector and economy in general, Nigeria embarked on structural adjustment programme (SAP) in 1986 on the assumption that structural adjustment programme (SAP) would corrects these problems. It has important implication on both the government and industry. It has brought government re-appraised of the regulatory environment, the structure of protection for local industries and the package of incentives available. For the private sector and industrialist in particular, SAP presented a new challenge which reported a more serious effort to control costs, increase production efficiency and remain competitive.

In the spirit of SAP, the second tier foreign exchange market (SFEM) was introduced in 1987 to allow market forces determine the foreign exchange rate, remove price distortions and thereby affect a more efficient allocation of resources. Because of inability of the existing policies to live up to expectation, government therefore in 1988 adopted a new approach to industrial development, which gave prominence to the role of the private sector. To give effect to this management approach, government, in August 1988, established the national committee on industrial development (NCID). The strategic management of industrial development (SMID) or industrial master plan (IMP) is predicted on the need to organize a network of sectors (referred to as strategic consultative groups) around on industrial activities with the aim of having a comprehensive and perception view of the investment problems in particular line of industrial activity. The (IMP) seeks to minimize the problems of policy and programme consistency in the development of the nations industries. A number of fiscal and monetary policies together with institutional reform measures have been undertaken by the OlusegunObasanjo administration since transition in May 1999. With these measures, it is envisioned that Nigeria will be transformed into a major industrialized nation and an economic power.

The industrial sector is known to be the strength of the value added processes in many economies. Nigeria is wanting to industrialize must encounter some problems which are militating against industrialization for the purpose of this study; it is pertinent to survey those problems which are forming obstacles to industrialization. Industrial sector encountered the problem of low price elasticity of export and lack of comparative advantage. This means that Nigeria share of foreign exchange market cannot appreciate despite the numerous incentives granted to the industrial sector. The absence of an indigenous entrepreneurship class couple with other problems of multinational corporation affect the structure and influence the nature of utilization of scientific and technological labour for national development. Realizing that industrialization can indeed have some adverse effect on the economic growth and development of the country, one will logically ask low effective are the industrialization policies in Nigeria?

In the last three decades, since independence, Nigeria has pursued industrialisation with the hope to transform the economy from a monolithic, inefficient and import-dependent economy to a more dynamic and export-oriented economy, especially exports of industrial goods. These aspirations as contained in the successive development plans (especially, first and second development plans) of the Federal Government were further reinforced by the windfall gains from crude oil boom of the 1972/73 and 1979/80 periods. However, despite series of deregulation policies introduced since 1986 by successive governments to facilitate industrialisation process in an economically conducive manufacturing environment, the performance of the industrial sector remains undesirable. In the last two decades, Nigeria recorded an unremarkable economic performance especially in manufacturing industry in the areas of production and international trade. Besides, its poor macroeconomic management might have largely contributed to such unfavourable performance of the industrial (manufacturing) sector. Regardless of the numerous constraints facing the industrial sector, the country still has some hope in the sector in propelling the necessary economic diversification from risk and uncertainty of the mining sector. On the trade front, historically, industrial development in Nigeria ties squarely with the developed countries from both the east and the west. Currently, the country is a member of the ECOWAS and has been affiliated to the World Trade Organisation (WTO).

In the current trend of globalisation of trade and investment, however, Nigeria is facing a crucial turning point of how to improve significantly, the performance of the industry, in terms of production and trade. Thus, the challenge to the country is how to design strategies and policies relevant to regional and global competition given the small market of the economy especially in the area of industrial products. Future economic development seems to depend upon whether or not Nigeria can establish a preferable industrial structure and participate in horizontal international specialisation in the global market. Consequent upon the foregoing, the major research issues to be addressed in this paper.

II. THEORETICAL AND EMPIRICAL ISSUES

Studies on industrial development and trade in Nigeria are very few, probably because of patchy data
available on this important issue. Although, increased attention has been devoted to the need for industrial development in recent years, adequate statistics for valid arguments and firm conclusions are still scanty. Theoretical and empirical studies on industrialisation and globalisation in Nigeria have focused mainly on sources of industrial growth and the linkage effects of different sectors of the economy. Among these studies include- Ohiorhenuan (1978), Olofin and Iyaniwura (1983), Ajakaiye (1990), Falokun (1996), Egwahkhide(1997), Adeboye(2002) and Ayodele and Falokun(2003).

The work of Ohiorhenuan is an attempt at clarifying the concept of industrial linkages vis-à-vis the developing economies as against the developed economies. Also, in line with this study, is the study conducted by Olofin and Iyaniwura in 1983. The study was an attempt at ascertaining the degree and nature of the inter-sectoral relationship existing in the Nigerian economy before the emergence of the oil as a dominant sector using the measures of direct and indirect dependence. Likewise, Ajakaiye (1990), attempts to empirically determine the inter-industry linkages in the Nigerian economy for the periods 1973 and 1977. In a similar study by Falokun (1996), ten key sectors of the economy that the government can stimulate through its export diversification and expansion programme in order to bring about rapid industrial transformation of the economy were identified. The study findings however show that the economy is still largely dependent on the external sector for the supply of intermediate input. The study concludes that the productive base of the Nigerian economy is still largely dependent on the crude petroleum export for the generation of revenue.

In a related study for Indonesia, Hayashi (1996) examines changes in the structure of industry and trade, employing an Input-Output analysis. Based on the results of the analysis of the study, it was suggested that further deregulation measures should be introduced continuously and consistently. The study concludes that much attention is needed to be paid to the GATT/WTO regulations. Egwahkhide (1997) presents a review of studies on Nigeria’s import substitution industrialization. Evidence from the study shows that the implementation of this model of development aggravated the problem of balance of payments, as it increasingly relied on foreign inputs, technology and expertise for production. It is inferred from the study that while it was easy for Nigeria to achieve the early stage of import substitution industrialization, it was exceedingly difficult to proceed to the more difficult stage of producing capital goods. This was ascribed to the inappropriate industrial policies of that period which were not sufficiently discriminatory.

Adeboye (2002), in his views on Globalization and industrialization process posits that those who win are those who trade in goods and services characterized by increasing returns. The pace and structure of Globalization and industrialization are usually dictated by the winners. While in the past, Globalization and industrialization process were dictated by colonialism and gunboat diplomacy, in recent years, it is driven by more subtle ideology propagated by the international financial institutions and the World Trade Organization (WTO). However, much of the financial flow - over 60 per cent - is speculative rather than developmental. Thus, in this regard, Globalization has always led to the de-industrialization of losers at the expense of winners.

However, there have been several attempts towards making the whole world a global village through trade and industrial activities. But these attempts in world trade have resulted into trade blocs. A good example was the transformation of the European Economic Community into the European Union (EU) in 1995 with the basic motive of intra-community trade. Also, there was the emergence of the Economic Community of West African States (ECOWAS), the East African Union (EAU), and the like. Also, there was the emergence of the Organization of Petroleum Exporting Countries (OPEC) which controls to some extent, the quantity of crude oil production, and by implication achieve stabilization of oil prices. However, despite these several attempts to globalize the world economy, the world was polarized into different trade blocs by the industrialized countries. The attitude of these nations raises the suspicion that there is a possibility of transforming the trade blocs into cauldrons of hostility that can culminate in economic war, nurtured on a culture of national self interest and a mutual hostility (Yesufu, 1996; NISER, 2000).

These developments underscore the predominance of keen competition in the world market especially on industrial products to the disadvantage of developing countries that are less competitive. This trend shows little motivation for meaningful integration since the developing nations’ markets are essentially complementary to a large extent and less competitive. It should be noted that the manufacturing sectors of economies from the south have vanished with United States of America and European’s market penetration in the current round of Globalization. Thus, developing countries’ export concentration is very high. They not only trade in low value-added goods and services, but also depend on one or a few export commodities for their export earnings.

Ayodele and Falokun (2003) in their work attempt to examine the structure of the Nigerian industrial sector with emphasis on the manufacturing subsector. In their analysis, it was observed that, industrialisation is central to economic growth and development. This is because; the excess labour
resources in the country are expected to be absorbed by the desired positive developments in the process of industrialisation. The study further addresses a major research issue on the extent to which Nigeria is ready for effective industrialisation within the ongoing globalisation process. Following from this, the study came up with certain facts which are apparent from the implications of the implementation of SAP policies. These include - the unstable political economy: the weak base for competition at the international market for manufactured products which had been further eroded by excessive cost of production and poor quality of its products and the gross erosion of the naira value due to the depreciating exchange rate. The study concludes that the imperative for energising the industrial transformation in Nigeria lies in detecting the causes of these anomalies and subsequently eliminating them in order to create a conducive industrial environment for effective industrialisation.

As noted earlier, Nigeria faces the challenge of growing intensity of competition at regional and global level. Some of the expected aspects to guide the competition include the anticipated reduction of barriers or free trade as a result of WTO agreements and the growing global technology and improved work organizations. Several problems may arise from regional or world agreements. At global level, for instance, the requirement of common policies and strategies on agricultural and industrial development may be in conflict with interest of individual country's competitive policy given the different levels of industrial development. Furthermore, the less industrialised country within is likely to face more stiff competition. As Oyejide (1998) argued, Nigeria and other African countries face more stiff competition for industrial goods from the more industrialised countries. This renders development of the manufacturing sector a difficult task. Similar arguments can generally be given at other regional or global level where less industrialised countries are involved in trade with more industrialised economies. The implication of the Nigeria’s export - oriented industrial policy therefore faces problems related to stiff competition.

III. INDUSTRIAL SECTOR AND NIGERIAN ECONOMY

During Nigeria colonial era, Britain made no sincere effort to industrialize the nation. As a result, the industrial sector of Nigeria economy was relatively insignificant at independence in terms of its contribution to the GDP. Most of the earliest industries were established by the colonial trading companies and hand full of other multinational companies concentrated on the production of light industrial commodities such as detergents, soft drinks, leather work, textile and confectionary. However, after independence in 1960, Nigeria attempt to leap directly into a modern industrial structure through public investment in large scale industries. The state assumed the dominate position for lack of a strong indigenous entrepreneurial class and the major aim was to avoid the foreign control of industrial activities (Akinlo (1996). The nation thus adopted the policy of import substitution industrialization strategy (1981) and established industrial development centers starting within Owerri in 1963. Ukaegbu (1991) informed that to achieve 181 objective, industrial equipment and raw materials should be transported into Nigeria, installed and used for routine production activities either by multinational corporations, the state or indigenous private businessmen. Based on the above situation. Ukaegbu concludes that Nigeria industries as well as with industries in many developing nations are characterize by their inability to revolutionize production. On the whole, Nigerian industries tend to be characterized by routine production activities, lack of auxiliary industries and insignificant non-existent research and development (RID) activities.

The increase in industrial output in 1970 was due to the oil boom of that period which made foreign exchange available for importation of the needed industrial inputs. However, the oil glut of the late 1970s and early 1980s affected the industrial sector as stringent economic policies were put in place and many industrial businesses were closed down. The government embarked on deregulation, privatization and commercialization of public enterprises to reduce the financial burden of the government. Till today the industrial sector has been witnessing series of policy change to adjust the sector and direct it to the part of growth.

The capacity utilization of the sector was 76.6% in 1975 and 70.1% in 1980. It was impressive because of the increased foreign exchange caring during this period. But the oil glut of the early 80s adversely affected the sector. The capacity utilization crashed from 63.6% in 1982 to 40.3% in 1990 and 29.3% in 1995. It went up to 36.1% in 2000 and 41.1% in 2003. The value rose slightly to 45.0% in 2004 and 46.2% in 2005. The inconsistency in capacity utilization in the sector may be explained by the inconsistency in our economic policies and other problems confronting the sector in terms of the sectors contribution to GDP, it is no different from capacity utilization, it contribution failed from 11.2% to 8.6% in 1985. In 1990 it was 7.8%, 6.7% in 1995, 5.9% in 2000, 6.4% in 2003. Its contribution to GDP fluctuated a lot showing low epileptic and shaky the sector has been. Government policy on banning and unbanning of some vital inputs accounted significantly for the instability the growth rate of the sector is the worst of it. From impressive growth rate
of 12.9% in 1982 to 4.2% in 1993. In 1990, it was 8.8% but 0.8% in 1994. It grew marginally to 3.6% in 2000 and 9.0% in 2003.

Manufactures Association of Nigeria (MAN) in her March 17, 2005 nationwide forum on reviving Nigerian industries, classified Nigerian manufacturing industries as follows: 30% closed down 60% Ailing 10% operating at sustaining level. The cause of the poor performance of the sector may be summarized in the view of Ewakhis et al (2001) that on the whole, the Nigerian industrial sector of the late 190s, and even up to the early 2000s, captured by the manufacturing sub sector appears to have evolved from a combination of pre-independence neglect and later, the overprotection of the import substitution industries.

The Rationale/Reasons for Increased Industrial Output Most developing countries sees increased industrial output as a central objective of their economic policy, they see it as integral part of development and structural change. The government has always accorded it as an important pace in its various development plans to ensure an increased level of self-reliance in supply of industrial product. The following are the reasons for increased industrial output.

1. To Alleviate Poverty/Standard of Living: With increase industrial outputs the standard of living of the people will increase or improve as a result of increase in goods and services, basic amenities and income capital.

2. To Reduce Unemployment Rate: Increased industrial output will reduce the number of people unemployed in the country when more people are employed in the industries.

3. To Increase Export/Import Substitution: With increased industrial output of the country more goods will be exported to another country leading to favorable balance of payment and also reducing the heavy depending on imported material/goods. And also there will be an increase of improve in output i.e. GDP.

4. To Reduce Dualistic Economy: With increased industrial output most of the less developing countries of the world will be developed i.e. bringing the gap between developed countries and developing countries (the rich and poor).

5. To Achieve Vision 2020: Increased industrial output will help to achieve the government vision 2020 to be among the top 20 economics of the world. It is result to massive infrastructure development, sustainable economic stability/growth, security of life and property, economic stability good health facilities, quality education etc.

IV. PROBLEMS OF INDUSTRIALIZATION IN NIGERIA

The term “industrialization” emanated from the industrial revolution of 18th and 19th century in Europe. This revolution saw machines replacing human efforts in the production process. And the end product is mass production. In Nigeria, efforts to industrialize the country began after independence with the first national development plan. The first national development plan(1962 – 1968) focused mainly on import substitution as a means of strengthening the Nigerian manufacturing sector. Other focus of the policy were; increased participation of Nigerians in control of the economy, expanding the technological base of the country to support industrialization and so on. Ever since then, the Nigerian government has embarked on numerous economic and industrialization policies. With the most recent being the Vision 2020:2020. However, despite all these efforts by the government to revamp the economy. And place it on the part of development, Nigeria remains largely under developed and industrialized. To this end, we shall look at the following factors militating against industrialization in Nigeria:

Lack of Credit/Access To Credit: This remains the major hindrance to industrialization in Nigeria. This problem is caused by the industrialists themselves, the government and financial institutions. Most industrialists in Nigeria are unwillingly to share the ownership and control of their establishments with other investors so as to accumulate enough finance to run their business. This leaves them most companies with little capital to run the business. Hence, limiting their growth. Also, the stiff requirements and interest on loan of most lending houses in Nigeria coupled with government negligence discourage industrialists from borrowing. And stifles industrialization in the country.

Over Dependence On Foreign Machines: Most of the technology and machines used by local manufacturers in Nigeria are imported from other countries. And these machines are usually very expensive. This hinders potential industrialists from venturing into production.

Inadequate Raw Material: Due to the poor state of our agricultural sector. The amount of raw materials produced by the sector for the manufacturing sector is not enough to support massive industrial production. Thus, the manufacturers depend largely on foreign raw materials for production. This hinders industrialization in the country.

Production Of Sub-Standard Goods: Most of the products made in Nigeria are usually substandard. This has decreased the reliance of the masses on
locally made goods. Hence, dependence on foreign goods for their satisfaction.

Illiteracy/Inadequate Skilled Manpower: The illiteracy rate in the country is very high. This problem is worsened by the lack of adequate technical education in our secondary schools and universities. Thus, skilled manpower required for high industrial growth is grossly inadequate in Nigeria.

Lack Of Basic Infrastructures: This has always been the major obstacle to development. And industrialization in Nigeria. The country lack facilities like good roads, water and rail transport facilities, communication facilities. And most importantly electricity supply. This hinders the progress of the industrial sector. And discourage potential industrialists.

Political Instability And Militancy: Frequent changes in government policies and incessant insurgencies have been a bane to industrialization and development in Nigeria. The Niger delta militants and of recent the Boko Haram group has continuously hindered economic activities in the country. And even discouraged local and foreign investors from investing in Nigeria.

V. SOLUTIONS TO THE PROBLEMS

Having identified the problems. That is the factors smouldering industrialization in Nigeria, the next step is to proffer solutions to the problems. Given the factors mentioned above, the solutions may include:

Improved Access to Credit: The Nigerian government should put in place measures to ensure that local industrialists have easy access to credit. These credits granted to the manufacturers should also bear low interest rates. So as to encourage them to borrow. Government can achieve these by Empowering the industrial development banks financially. As well as encouraging private financial institutions to do so.

Encourage Local Manufacture of Industrial Machines: The government should also encourage and support local engineering firms to venture into the manufacturing of some of the heavy industrial machines imported from abroad.

Improved Education System/Manpower Training: The government should work towards improving our educational system. Technical courses should be introduced into the secondary and university curriculum. With more emphasis on practical than theories. Government can also adopt the Chinese strategy of sponsoring eligible students to go to more technologically advanced countries to acquire technical knowledge that would be invaluable to the country.

Improved Agricultural Sector: The government should pursue policies geared towards improving the agricultural sector. When this is achieved, the sector can then guarantee enough raw materials for industrial production. This could be achieved through agricultural mechanization.

Favourable Government Policies: Government should also pursue policies favourable to industrialization in Nigeria. For instance, tax holidays, excise duty reduction and tariff protection. And even granting special loans to encourage export of locally made goods.

Provision of Basic Infrastructures: The government should provide adequate infrastructure like electricity, good road network, rail and water transport facilities, improved communication infrastructures and so on. All these would facilitate the production and movement of goods within and outside the country.

Political Stability/Security: Government should minimize the constant change of economic policies. Also, adequate measures should be employed to tackle the security problems in various regions of the country. Especially, the Boko Haram insurgency in the North.

VI. BENEFITS OF INDUSTRIALIZATION IN NIGERIA

The attainment of industrialized status is the aim of any country seeking to develop in the world. This is because industrialization comes with numerous benefits to any country that attains such status. Below are some of the benefits Nigeria would enjoy from being industrialized:

Employment Generation: Industrialization encourages mass production of goods. This requires more labour to achieve. And so would lead to employment of capable hands in the production process. Also, as the country industrialize, more people would be employed to keep up with the production rate.

Improved Living Standard/Poverty Reduction: As employment is generated, the number of unemployed reduces. This goes to reduce poverty in the country. Also, increased industrial output means that the masses now have variety of goods to choose from at affordable prices. This equally goes to improve the living standards of the populace.

Improved Bop/Economic Growth: Industrialization leads massive production of goods. Some of these goods may not be needed for local consumption. Thus, they are exported. This generates foreign exchange for the country, improves the countries
balance of payment (BOP) and ultimately stimulate economic growth. Also, it leads to the conservation of foreign exchange. Because funds that would have been used to purchase foreign goods are reserved. Since such goods are made locally.

Stimulation of other Sectors: The growth of the industrial sector would also stimulate the growth of other sectors. For instance, the growth of the industrial sector would create a ready market for agricultural producers who supply raw materials.

Development of Skilled Manpower: As a country industrialize, more people are trained in different managerial technical areas to acquire knowledge needed in managing the firms and machines. This improves the knowledge base of the country.

VII. CONCLUSIONS AND RECOMMENDATIONS

As we have stressed, industrialization is critical because modern industry is the engine of technological development and because it provide the joints and sinews of an integrated and vibrant economy. Strategic Planning for Industrialization in the South East Zone should not only take the national context into account but also address the particular circumstances and goals of the state. Strategic Planning should systematically address the issue of the identification, establishment and maintenance of strategic industries and the deliberate promotion of complementary and tributary industry activities, to ensure a balanced industrial structure. The needs of micro, small, medium scale enterprises should be specially targeted:

Promote trade and craft associations for mutual support and capacity building;

Establishment and maintenance of databases of domestic resources of skills, equipment and facilities in the manufacturing

Maintain a current and comprehensive database on the capacities and needs of manufacturing enterprises, for the guidance and development of the industry and its market;

Promoting and supporting research, development and training services in tertiary institutions and polytechnics in strategic areas of iron and steel development.

Promotion of the establishment of enterprises and facilities in the critical areas of design, production technology and fabrication;

Fostering linkages and long term contractual relationships between small and medium-scale iron and steel enterprises and the large-scale manufacturers and other customers;

Promote investment in manufacturing through the establishment of a special equity trust fund under the management of the Bank of Industry, the SMEI fund or other appropriate. As we have stressed, industrialization is critical because modern industry is the engine of technological development and because it provide the joints and sinews of an integrated and vibrant economy.

REFERENCES


EUGENE MBA is a Content Developer at InfoGuideNigeria.com. InfoGuide Nigeria is a team of Resource Persons and Consultants led by Ifiokobong Roberts. Page maintained by . If you need a personal assistance on this topic, kindly contact us.


[34] Central Bank of Nigeria Annual Reports and Statements of Accounts, various issues.

