

# Rekindling Nigeria's Manufacturing Sector Performance for Economic Growth and Development

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**Abstract:** This paper examines Nigeria's manufacturing sector performance, its challenges and prospects with the aim of providing a clearer insight into the current state of the sector. This study employed descriptive analysis approach and gathers data largely from secondary sources. The findings show that manufacturing sector's performance in Nigeria is unsatisfactory. The current manufacturing sector's performance is low compared to the performance levels obtained in the 1970s. One of the notable features of Nigeria's manufacturing sector is that it is highly import-dependent. Hence, the cost of production, size of output, competitiveness of the product and the returns to investments is strongly tight to foreign exchange availability and foreign exchange rate in the country. The challenges which had impeded the performance of manufacturing sector identified in the study include inadequate foreign exchange and high exchange rate, infrastructural deficit, inadequate access to credit, high interest rate and inflation rate, multiple taxes and levies, insufficient demand and institutional inefficiency. It is recommended that the monetary policy of the country should be fine tuned to ensure relative stable foreign exchange rate, low interest rate and single digit inflation rate; agricultural resources of the country should be fully exploited and utilized to ensure high agricultural output for export and provision of raw material to agro-based industries which produce for export to generate substantial foreign exchange for use in the manufacturing sector, Iron and Steel production firms established by the government, especially Ajaokuta Iron and Steel Plants, should be revitalized to provide industrial base for the country by producing the spare parts, tools, machinery and equipment for other manufacturing firms in the country. The government should provide adequate and reliable electricity supply to reduce manufacturing sector reliance on private production of electricity and, a good road network and functional railway services to aid movement of raw materials and finished products of manufacturing firms in the country.

**Keywords:** Manufacturing sector, Manufacturing sector performance, economic development

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## 1. Introduction

Every nation strives for economic growth and development. Based on Development Economist's prescription, industrialization in general and a virile manufacturing sector in particular is the surest and direct path to enduring economic development in a country; especially, developing countries. It is a veritable channel of attaining the lofty and desirable goals of improved quality of life for the people. As the key to the transition from a static and subsistent economy to a dynamic and self-reliance one, it is believed that rapid industrialization would lead to dynamic change in the economic structure of a nation by enhancing the contribution of industrial sector to gross domestic product (GDP), government revenue and foreign exchange earnings. It will facilitate increase in local sourcing of raw materials, development of local industrial technology, significant creation of jobs to accommodate youth unemployment, attainment of higher real per capita income and poverty reduction.

Manufacturing, as a very vital component of industrial sector of a nation, is critical for economic growth and development. All other sectors of the economy revolve around manufacturing sector by either providing inputs for manufacturing production or making use of manufacturing products. Depending on how it is harnessed, manufacturing sector remains a veritable tool for empowering as well as diversifying the real sector of the economy for growth and development. Aderibigbe (2004) stressed that the manufacturing industry contributes significantly to the nation's economic development through employment generation and manpower development, by increasing government revenue through taxes, enhancing infrastructural growth, improving the standard of living of the populace and contribution to Gross National Products (GNP).

Manufacturing sector is a catalyst for structural transformation and engine of economic growth and development (Enebeli-Uzor, 2012; Banjoko, Iwuji and Bagshaw, 2012). Enebeli-Uzor (2012) asserted that manufacturing sector serves as a catalyst that transforms the economic structure of a country from simple, slow-growing and low-value activities to more productive activities, bridging the income gap with industrial countries. The experience of industrialized economies like United States of America (USA), the United Kingdom, Japan and emerging economies such as China, North Korea, Malaysia and India attests to the crucial role of manufacturing sector in the structural transformation of economies from subsistence, low production and

low income state to dynamic, diverse, high productivity and high income economies. In addition, because of its forward and backward linkages with the other sectors of the economy, any development in manufacturing sector has a high multiplier effects on all other sectors of the national economy. Manufacturing sector is also a major source of productivity gains and increase in foreign direct investment as well as the driver of research and innovation.

Available data in many developed and emerging economies indicate that the manufacturing sector plays enormous role in enhancing economic growth and development, as it accounts for the largest share of the Gross Domestic Product (GDP). For example, in the year, 2010 the manufacturing sector in China contributed 80% to GDP while in Singapore, India and Indonesia, it contributed about 40% (Gado, 2012). The share of manufacturing value added in GDP in most emerging economies ranged between 20 and 40% in recent years. In China, it was over 40% in 2010. Manufacturing sector is a pivot for broadening both the productive base of the economy and the revenue base of the government. In terms of global trade, manufacturing goods constitute the bulk of the world merchandise trade. It constitutes about 77% of the Global merchandise trade while food and agriculture accounts for about 9%, fuel accounts for about 8% and, ore and minerals accounts for 3% (Enebeli-Uzor, 2012). Unlike crude oil which is subject to unexpected and unpredictable changes in global oil prices (oil price shocks) and agricultural products which are mostly primary goods, which are of low value and have relatively inelastic demand with respect to both price and income, the manufacturing sector is a stable and reliable source of foreign exchange earnings for economies because manufactured goods are of high value and have elastic demand with respect to both price and income. According to Ogbu (2012), no other sector is more importance than manufacturing in developing the economy, providing quality employment and wages, and reducing poverty.

In Nigeria, manufacturing sector development and expansion has been accorded central position in the various development plans (the First National Development Plan (1962-1968), the Second National Development Plan (1970-1974), the Third National Development Plan (1980 - 85) and the Fourth National Development Plan (1980-1985)) and economic policies pursued by successive government in Nigeria since the attainment of political independence in October, 1960. To facilitate industrial sector performance in general and augment the process of manufacturing sector production in particular in the country, over the years, different industrialization strategies, industrial policies and economic reform measures have been adopted in Nigeria. Among the industrialization strategies so far adopted in Nigeria include import substitution industrialization (ISI), export promotion industrialization strategy (EPIS) and foreign private investment led industrialization (FPIS) (Ekpo, 2014).

The industrial policies implemented include the 1999-2003 industrial policies. Among the economic reform measures formulated and implemented by the government between 1970 and 2007 are the indigenization policy of 1972 and amended in 1977, structural adjustment programme (SAP) implemented between 1986 and 1990, and the National Economic Empowerment and Development Strategy (NEEDS) of 2004. Of recent, Vision 20-2020, a vision aimed at transforming the Nigerian economy to become one of the 20 leading economies in the world by the year 2020 was adopted by the government. The Indigenization Policy which culminated in the enactment of the Nigerian Enterprises Promotion Decree of 1972 and its amendment in 1977 was aimed at wresting the economy and the industrial sector in particular from the shackles of foreign domination and promote the full participation of Nigerians in the growth of the manufacturing sector (Banjoko, Iwuji and Bagshaw, 2012). It promoted the full participation of Nigerians in the growth of manufacturing sector as well as created conducive and attractive atmosphere for foreign investors to operate (FGN, 1975-1980). SAP was meant to reverse the downward trends in the Nigerian economy, widen the industrial base, provides stimuli for increased exports and incentives for the manufacturing sector expansion to enhance its value-added and contributions in GDP (Bamibede, 2005). The objectives of the vision 20- 2020 were tandem with various studies and projections by Goldman Sach that the Nigerian economy will be the 20<sup>th</sup> and 12<sup>th</sup> largest economy of the world by 2025 and 2050 respectively ahead of Italy, Canada, Korea among others (Skyscraper City, 2006; Obamuyi, Edun and Kayode, 2012).

Despite all the efforts, manufacturing sector performance in Nigeria has been abysmal. Available economic indicators show that Nigeria's manufacturing industry, for many years now, have been characterised by high geographical concentration, high import content of manufacturing inputs, low capacity utilization, high cost of production, low value added, minimal output growth, low level of foreign investment, low employment generation and inadequate linkages with other sectors of the economy (CBN, 2010). Annual growth rate of Nigeria's manufacturing sector as a percentage of GDP is marginal compared to what is obtained in many countries, even countries like Singapore, Malaysia, Indonesia and South Korea which were at the same level of development with Nigeria in the 1960s and the early 1970s. The contribution of manufacturing to GDP has been minimal. Manufacturing subsector contribution to GDP at 2010 constant price which increased from 10.22% in

1981 to 11.78% in 1982 reduced to 9.54% and 9.28% in 2015 and 2016 respectively (CBN, 2016), which by implication portrays Nigeria's manufacturing industry as still at rudimentary level.

Considering the enormous role of manufacturing sector in national economic development, rekindling of Nigeria's manufacturing sector performance becomes imperative. The objective of this paper is to examine Nigeria's manufacturing sector performance, its challenges and prospects with the aim of providing a clearer insight into the current state of the sector as well as proffer the way forward for its better performance. This study contributes to knowledge in three ways. First, it makes bare the true current state of Nigeria's manufacturing sector. Secondly, it establishes a link between manufacturing sector performance and economic growth. Finally, the challenges and prospects of the Nigerian manufacturing sector are well unfolded. Thus, insight is provided for the appropriate authority to formulate and implement appropriate and realistic policy towards rekindling manufacturing sector. This work employs descriptive analysis approach and gathers data largely from secondary sources.

This paper consists of five sections. Following the introductory section is Section 2 which presents the conceptual overview and empirical evidence. Section 3 handles the stylized facts on Nigeria's Manufacturing sector while Section 4 overviews the Nigerian manufacturing sector and its performance. Section 4 focuses on the challenges and prospects for better performance of manufacturing sector and Section 5 concludes the study.

## **2. Conceptual Overview and Empirical Evidence**

Industrialization has been described as the introduction and / or expansion of industries in a particular place, region or country (Obioma and Ozughalu, 2004). It is a situation where many manufacturing industries are established in different parts of the country. As many manufacturing industries are established in a country, different types of product are produced. Industrialization therefore, is a process of building up a country's capacity to produce many varieties of products – extraction of raw materials and manufacturing of semi finished and finished goods. Anyanwu et al (1997) described industrialization as the process of building up a nation's capacity to convert raw materials and other inputs to finished goods and to manufacture goods for other production or for final consumption. Industrialization, broadly conceived, relates to development in industrial sectors of the economy such as manufacturing, banking, building and construction, mining and quarrying, communication, real estate (Obioma and Ozughalu, 2004) and public utilities (Ekpo, 2004). CBN (2002) gives the components of industrial sector in Nigeria to include the manufacturing, construction, electricity, mining, water and gas industries. Manufacturing sector, by far, constitutes the most dynamic part of the industrial sector of a country (CBN, 2002). It is generally believed that the main instrument of rapid growth, structural change and self-sufficiency of a country lies in the manufacturing industry (Anyanwu, et al, 1997). For these reasons, industrialization is most often conceived in terms of developments in the manufacturing industry.

Economic growth, on the other hand, is sustained annual increase in per capita output of the country. It occurs in the economy when there is sustained annual increase in the amount of goods and services produced for its' citizen consumption and investment. Based on the belief that over the long-run, the gains from economic growth will automatically 'trickles down' to the masses in the form of reduction in unemployment, income inequality and poverty, it was asserted that economic growth is synonymous to economic development. On this basis, United Nation declared 1960s as 'the development decade' where development is to be achieved in the less developed countries (LDC) with a targeted growth rate of 6% (Umo, 2012). At the end of the decade, many countries in Africa including Nigeria exceeded the targeted growth rate without making any substantial improvement in development indicators like reduction in unemployment, inequality and poverty levels. Following this discovery, the conclusion reached by development scholars was that it is possible for an economy to grow without development taking place since poverty, unemployment and income inequalities may continue to persist due to the absence of technological and structural changes. Consequently, international-structuralist's theory of development stresses the need for structural and institutional reforms in addition to economic growth in order to eradicate absolute poverty, reduce unemployment, lessen income inequality and raise the general living condition of the people. Thus, economic development has been redefined in terms of reduction in poverty, income inequality and unemployment as well as self reliance within the context of a growing economy (Soludo, 1998).

Economic literature is replete with evidence from studies conducted in developed and developing countries that show the important role of the manufacturing sector in economic growth and development. Kaldor's first and second law of growth stressed the crucial role of manufacturing in economic growth and development of a nation. Kaldor (1966) examined the growth trajectory of a cross section of developed countries over the period 1952-54 to 1963-64 and maintained that there is a relationship between industrial growth and the performance of the economy. This observation gave birth to the first and the second Kaldor's growth laws. The first law states that there is a close relationship between the growth of manufacturing output and the growth of GDP. Kaldor's first law, which is often summarise in the expression "manufacturing is the

engine of growth”, projects that the overall growth of the economy is associated with the excess of the growth rate of manufacturing output over the growth rate of non-manufacturing output. The implication is that high growth rates are usually found in countries where the share of manufacturing industry in GDP is increasing. Kaldor also argued that the growth in non-manufacturing sector also responds positively to the growth of manufacturing. The correlation between the growth of manufacturing output and the overall performance of the economy is explained by the impact of the manufacturing on growth of productivity in the economy. One of the possible reasons for such effect is that the expansion of manufacturing output and employment leads to the transfer of labour from low productivity sector (or disguised unemployment) to industrial activities (that present higher productivity levels). In Kaldor’s expression, this process is characterised in transition from “immaturity” to “maturity”, where an ‘immature’ economy is defined as the one in which there is a large amount of labour available in low productivity sectors that can be transferred to industry. The second reason for correlation between the growth in manufacturing output and productivity is the existence of static and dynamic increasing returns in the industrial sector. Static returns are as result of economies of scale internal to the firm while dynamic returns are the increasing productivity derived from learning by doing, induced technological change, external economies in production, *et cetera* (Libanio, 2006).

Kaldor’s second growth law (also known as Verdoorn’s Law) asserts that there is a positive causal relationship between output and labour productivity in manufacturing, derived from static and dynamic increasing returns to scale. This law shows that there is increasing returns to scale in manufacturing. Kaldor’s assertions on the crucial role of manufacturing industry performance on economic growth have been variously supported in the literature (Obamuyi et al, 2012; Libanio, 2006). Obamuyi et al (2012) stressed that manufacturing sector plays important role in the growth performance of the economy and that it is characterized with the existence of increasing returns to scale. Similarly, Libano (2006) examined the growth performance of Latin America countries during the period of reforms based on Kaldor’s first and second “growth laws” and found that the estimated results of the first and second Kaldor’s growth laws using panel data for a sample of the seven largest economies in Latin America during the period 1985-2001 affirmed manufacturing sector performance as a critical ingredient for economic growth.

### **3. Stylized Facts on Nigeria’s Manufacturing Sector**

Manufacturing activities were not given much attention during the Colonial era in Nigeria, as colonial economic policy did not support it. The Nigerian economy was structured and organized mainly to produce primary raw materials for foreign manufacturing industries as well as served as market for manufactured products of those foreign manufacturing industries. Laying a solid foundation for the development of an industrial economy for Nigeria was not part of the colonial economic policy rather making the colonies perpetual producers of primary raw materials for foreign industries and importers of manufactured goods (Egwaikhide et al, 2001 and Banjoko et al, 2012). However, the manufacturing industries in operation then, which were more or less artisanal craft firms set up by the colonial trading companies, concentrated in the production of light industrial commodities like soap, soft drinks, textiles and confectionary. For example, three important earliest manufacturing industries established in Nigeria were saw-milling plant at Koko in what is now Edo State, set up by Miller Brothers, a soap plant – The West African Soap Company – at Apapa in Lagos, set up by Lever Brothers, and a cigarette manufacturing plant at Oshogbo, set up by British-American Tobacco Company (Ekundaye, 1973).

Consequent upon being a major primary products producer and heavy consumer goods importer, which underlined the country’s external dependence on the uncertain World markets coupled with Western experience to the effect that industrialisation promotes economic growth and development faster than agriculture, industrialization was made a priority area for the Nigeria state shortly after political independence as indicated in the various national development plans, industrial policies, industrialisation strategies and economic reform measures in the subsequent years. To promote industrialization in the country, in the first National Development Plan some economic development policies and projects were initiated to enhance the establishment and growth of manufacturing industries. For example, the Federal Government of Nigeria, in partnership with the International Finance Corporation, established the Nigerian Industrial Development Bank in 1963 to organise credit for industrial sector development, In order to make available the needed manpower for the manufacturing industries, institutions of higher learning like the University of Nigeria, Nsukka, the University of Ife (now Obafemi Awolowo University), Ahmadu Bello University and the University of Lagos were established within the first National Development plan period. In addition, the premier University College, Ibadan was upgraded to a full autonomous university, the University of Ibadan. In an attempt to provide for the energy need of the country in general and manufacturing industries in particular, the Federal Government approved the construction of Kainji Hydro Power Station in 1962 and completed the first phase in 1968 as well as initiated and established the first petroleum refinery at Aleso Eleme in Port Harcourt in 1964.

The pattern of Nigeria's manufacturing production has been in consonance with the enactments in the various national development plans and industrial strategy/policy implemented in the country. During the First National Development Plan (1962-1968), emphasis was on the establishment of light industries and assembly activities. In line with this, assembly plants and light manufacturing industries were set up in the country to assemble or produce items such as machine tools, radios, kitchen utensils, electric fans and motor cycles (Ekpo, 2005). In the Second National Development Plan (1968-1975), the focus and thrust was on the promotion of export industries in order to earn foreign exchange. This period witnessed rapid industrial expansion and diversification in the level of intermediate and capital goods in the country as government directly involved in investments in key industries such as agro-based, petrochemicals, iron and steel and vehicle assembly. For the Third and Fourth National Development Plans of (1975-1980) and (1980-1985), emphasis shifted to heavy industries; and there were many capital intensive projects initiated by the government. Government embarked on the establishment of industrial core projects like iron and steel plant at Ajaokuta, steel rolling mills at Warri, Kaduna and Oshogbo, aluminium smelter plant at Ikot Abasi, crude oil refineries at Port Harcourt and Kaduna, petrochemical and fertilizer factories at Pot Harcourt, paper industry at Oku Iboku, cement industries at Calabar and Nkalagu, machine tools company, sugar plants and marble factories. Unfortunately, as of now, most of these manufacturing firms are not functioning as they have been abandoned.

The development in the Nigerian manufacturing subsector since Nigeria's political independent in 1960 till date can be delineated in two epochs, namely; the period between 1960 and 1985, and the period between 1986 and Present. The first period (1960-1985) covers the period where the policy stand of the government was based on ISI strategy (Bushari, 2005). ISI strategy involves setting up of local manufactured industries to produce locally certain manufactured goods which were hitherto imported by a country. The objectives, among others, were to reduce the volume of imports and external dependence via increased reliance on goods manufactured domestically, save foreign exchange, create employment and favourable balance of trade and payment, and encourage technological development. In addition, the local industries established were expected to gradually and over time substitute imported inputs for local inputs. The vision of graduating from light manufactured goods to the production of heavy industrial equipment also formed the pillars ISI strategy. In the pursuit of ISI strategy, there was active involvement of the government through direct investments, administration of a protectionist measures like tariffs, quotas, etc to ensure that domestic industries were allowed to grow, and the introduction of schemes such as indigenization and preferential credit to nurture indigenous entrepreneurs (Ademola, 2012).

As observed by Ekpo (2014), the performance of ISI strategy in Nigeria was unsatisfactory. Although manufacturing index and capacity utilization was high within the period, using 1972 as the based year, the manufacturing index increased by 82.2% between 1972 and 1976 and by about 94% between 1972 and 1977 (Ekpo, 1994), ISI did not facilitate industrial leap-frogging in Nigeria. First, it concentrated on the production of consumer goods only instead of technological advanced capital goods which sustains industrialization. Secondly, the original purpose of substituting local inputs for the imported inputs in the local manufacturing industries was not achieved; virtually all inputs used in the local manufacturing industries were imported. Thirdly, it perpetuated external dependency of Nigeria's manufacturing sector and drained foreign exchange. Fourthly, the envisaged transfer of technical skill and technology, which could have resulted in technological development in Nigeria and consequently boost industrial development, did not materialized as strategic technical position in existing manufacturing firms were manned by foreigners. It was difficult to sustain ISI industrial strategy in terms of cost implications and foreign exchange requirement since all the inputs of production (raw materials, the machines, spare part, the skilled manpower and technology) were all imported. Following a fall in crude oil prices in the international oil markets in 1982 which resulted in drastic reduction of Nigeria's oil revenue earnings from US\$25.4 billion in 1980 to US\$ 6.0 billion in 1986 (CBN, 2002) the foreign exchange requirements of manufacturing industries in the country was hardly met. For this reason, many manufacturing industries were forced to reduce their production capacities while others shutdown completely following their inability to gather adequate foreign exchange for importation of raw materials, machinery, equipment and spare parts. Consequently, there was need for reform programmes to be carried out not only in the industrial sector but in the entire Nigerian economy.

The second period (1986 - Present) covers the period where the policy thrusts of the government had been to ensure minimal government involvement and influence in the manufacturing sector and to create a conducive and enabling environment and framework for private sector participation. The emphasis had been on economic liberalization policies. The period had been characterized with series of economic and structural reforms such as SAP and NEEDS with the aim of restructuring the economy as well as address issues in the manufacturing sector. SAP, implemented between 1986 and 1990, was aimed at reducing government direct involvement and influence on industrial sector, create efficient private sector-led industrial sector, motivate manufacturers to source for most of their raw materials locally as well as reduce demand for imported goods

(Ekpo, 2005). The programmes carried out within the framework of SAP to boost manufacturing sector performance included privatization and commercialization, deregulation of foreign investments, trade liberalization, and deregulation of the credit policy and the introduction of the Foreign Exchange Market (FEM). The outcomes of SAP were a mixture of blessings and woes for manufacturing sector. There was reduction in the size of public sector direct involvement in the manufacturing sector, increased private sector participation, a slight increase in domestic sourcing of raw materials and a short-lived marginal increase in manufacturing capacity utilization. For example, between 1987 and 1991, the manufacturing capacity was about 41% against 38.3 % of 1986. However, the devaluation, the high interest rates, and tight monetary policies which prevailed during that period reduced firm's access to new capital as well as increased their costs. Within the framework of NEEDS, Nigeria's Industrial policy of 2003 was introduced. This industrial policy focused on the competitiveness of the industrial sector, finance, technological advancement, incentives to industries, research and development, among others (CBN, 2007). It was intended to ensue increase in the annual growth of the manufacturing sector by at least 7% per annum, increase in manufacturing capacity utilization to about 70% by 2007 and to raise the contribution of private sector to total investment in industries to about 70% by 2007 (Ekpo, 2005). Though targets were not realized, there was some improvement in the performance of manufacturing sector.

The industrial strategies pursued included EPIS and FPIS. EPIS, otherwise called outward oriented industrialization strategy, involves domestic production of manufactured goods for export. Export processing zones were established in some locations in the country including Calabar Export Processing zone, in order to enhance manufacturing exports. The success of EPS, like ISI strategy, had been greatly constrained by its reliance on foreign inputs and technologies which had resulted in high cost of production and non competitiveness of Nigeria's manufactured goods. FPIS, on the other hand, involves a direct investment into production or in other business in a country by an individual or company from another country, either by buying a company in the target country or by expanding operation of an existing business in that country. Though the rate of net inflow of foreign private investment has increased since 1999 when civilian administration took over government in the country, Nigeria is yet to reap the full benefit of this policy. Shortage of critical infrastructure like electricity and transportation, threat on national security posed by Boko Aram insurgency and ethnic militia; and above all, economic recession experienced in the country in 2016 and 2017 had hampered further inflow of foreign private investment into the country.

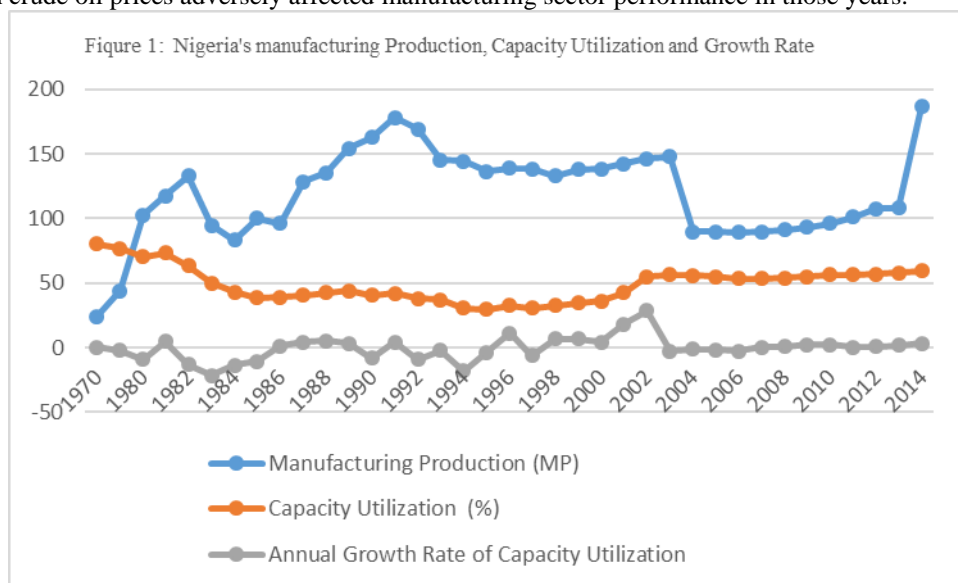
#### **4. The Manufacturing Sector Performance**

In this study, the dynamics of Nigeria's manufacturing sector is assessed in terms of its size, composition, contribution and growth. In addition, other indices of manufacturing performance such as index of manufacturing production, manufacturing export, import, employment, capacity utilization, and share to total GDP are used to examine manufacturing sector's performance.

**4.1 Manufacturing Production:** The output of manufacturing sector is measured by the index of manufacturing production. The index of manufacturing production between 1970 and 2014 is shown in Figure 1. The output of manufacturing industry was 24.1% in 1970; rose to 102.4% and 132.8% in 1980 and 1982 respectively. There was a decline in manufacturing output between 1983 and 1986. It was only 94.8% in 1983, 83.4% in 1984 and using 1985 as the based year; manufacturing output in 1986 was 96.1%. The variation in manufacturing output in Nigeria through time is traced to the vulnerability of manufacturing to prevalence macroeconomic environment, the effects of economic policies implemented in the economy as well as the global economic pressure. For example, increased government revenue from crude oil exports and subsequent export and import subsidies regime implemented by the government encouraged importation of manufactured inputs and expansion of assembly based industries which hiked manufacturing output in the late 1970s into early 1980s.

The plummet in the world oil prices in the early 1980s resulted in internal and external imbalance in the Nigerian economy. As the macroeconomic disequilibrium persisted and deepened, the economy gradually went into widespread recession in 1983, 1984 and 1985 with the decline in GDP and manufacturing capacity utilization. Several counter-depression measures adopted under the Economic Stabilization Act in 1981, austerity measures in 1982 and the National Economic Emergency (NEE) in 1985 could not salvaged the economic situation. This culminated in the adoption of Structural Adjustment Programme (SAP) in July, 1986. The various SAP induced industrial policies and incentives, together with the Privatization and Commercialisation Act of 1988 which encouraged efficiency in manufacturing helped to boost manufacturing production, though temporarily. The index of manufacturing production rose to 128.4 % in 1987 and reached its peak of 178.1% in 1991, after which it declined fluctuatingly because there was insufficient internal dynamism to sustain the impacts of SAP industrial policies and incentives. The index of manufacturing output decreased to 133.1% in 1998. Between 1999 and 2015, with the enthronement of civilian administration in the country, there

had been a marginal increase in manufacturing production. The index of manufacturing production rose from 137.1% in 1999 to 186.8% in 2014. However, the recession experienced in the country in 2016 and 2017 caused by a fall in crude oil prices adversely affected manufacturing sector performance in those years.



Source: (1) CBN Annual Report and Statement of Account (Various Issues).  
 (2) CBN (2013). Statistical Bulletin, Vol. 24, PP. 173 - 176.

**4.2 Manufacturing Capacity Utilization:** Another important indicator of manufacturing sector's performance is manufacturing capacity utilization. The average manufacturing capacity utilization in Nigeria between 1970 and 2014 is shown in Figure 1. The manufacturing capacity utilization which was 80.2% in 1970 declined to 38.3% in 1986 following the downturn in the Nigerian economy, caused by reduction in crude oil prices in international market, which resulted in a drastic reduction of foreign exchange earnings of the country such that there was inadequate foreign exchange for procurement of spare parts, machinery and raw materials for manufacturing industries. Consequently, many manufacturing firms were forced to cut down their production capacity while others folded up. With the introduction of Structural Adjustment Programme (SAP) in 1986 and implementation of its short-run policies and incentives, there was marginal increase between 1986 and 1990. The capacity utilization rose from 38.8% in 1986 to 43.8% in 1989. Between 1991 and 1998, the harsh economic environment in the country couple with acute infrastructure deficit especially electricity supply shortage forced many competitive firms to relocate from Nigeria. Few industries that sustained the manufacturing sector were textiles, beverages, cement and tobacco and even these ones were operating at a low capacity. The manufacturing capacity utilization declined drastically to 29.3% in 1995. Between 2000 and 2014 there was yearly marginal increase. Although the capacity utilization has risen to 59.6% in 2014, it is far below 80.2% capacity utilization level of 1970. The average manufacturing capacity between 1981 and 1990 was 47.4%, and between 1991 and 2000 it was 34.3%. Between 2001 and 2010, the average manufacturing capacity utilization was 48.6% and 57.6 %, between 2011 and 2014. The observation from this analysis is that from 1975 to 1995 the manufacturing capacity in Nigeria had been decreasing, reaches the lowest point of 29.3% in 1995, before started increasing sluggishly to 59.6% in 2014. Being a major determinant of manufacturing output in a country, low manufacturing capacity utilization is a clear indication of low manufacturing output in Nigeria.

**4.3 Manufacturing Contribution to GDP:** This is another vital index of manufacturing performance. Table 1 shows GDP and sectoral contribution to GDP at 1990 constant basic price. As shown in the table, manufacturing sector share in real GDP which fluctuatingly rose from 5.3% in 1980 to 12.4% in 1990, dropped to 3.4% in 2000. It rose marginally to 3.8% in 2005 and 4.1% in 2008, From 2009 to 2014, manufacturing sector share in real GDP stagnated at 4.2% which is lower than what was the contribution in the 1970s. The performance of Nigeria's manufacturing sector in this regard is very low compared with the contribution of manufacturing sector to GDP in comparators countries like China, Malaysia, Indonesia, Thailand and Brazil. For example, manufacturing sector has contributed 20% of GDP in Brazil, 34% in China, 30% in Malaysia, 35% in Thailand and 28% in Indonesia (Ogbu, 2012). The implications of this are that manufacturing sector in Nigeria is structurally weak, shadow, small in size and is still at infant stage though it has existed for over 60 years.

**4.4 Manufacturing Value Added to GDP:** Manufacturing value added to GDP is another indicator of the performance of manufacturing sector. Value added is the net output of a sector after adding all outputs and subtracting intermediate inputs (World Bank, 2015). Table 2 shows five-country comparison of average manufacturing value added as a percentage of GDP. As observed from the table, in all the periods considered, Nigeria’s manufacturing value added is the least in the five emerging economies considered. For example, between 2001 and 2005, the average manufacturing value added as a percentage of GDP was 39.8 in China, 28.2 in Indonesia, 15 in India, 11.2 in Kenya while Nigeria had only 3.2. Between 2006 and 2010, the average manufacturing value added as a percentage of GDP was 3.4 only in Nigeria whereas it was 40.6 in China, 26.2 in Indonesia, 15.4 in Kenya and 13.6 in India. Though between 2011 and 2014, the average manufacturing value added as a percentage of GDP in Nigeria rose to 9.0, it was the least among the countries considered. This is an indication that all is not well with Nigeria’s manufacturing sector in particular and Nigeria economy in general, since it is the manufacturing value added that drives the growth of the emerging economies.

Table 1: GDP and Sectoral Contribution to GDP at 1990 constant basic price (%)

Year	GDP(N’Billion)	Agriculture	Oil & Gas	Manufacturing	Trade	Services
1980	240.3	35.3	27.7	5.3	14.9	13.7
1985	253.0	38.3	28.5	4.8	13.7	13.2
1990	328.6	37.2	25.5	12.4	12.9	9.9
1995	352.6	40.8	26.5	4.0	13.9	13.4
2000	412.3	42.7	25.9	3.4	13.0	13.4
2005	561.9	41.2	24.3	3.8	13.8	13.7
2006	595.8	31.9	21.9	3.9	14.9	15.7
2007	634.3	42.0	19.6	4.0	16.2	16.2
2008	672.2	42.1	17.3	4.1	17.4	16.8
2009	719.0	41.7	16.3	4.2	18.1	17.4
2010	776.3	40.9	15.5	4.2	18.7	18.1
2011	834.0	40.2	15.3	4.2	19.4	19.0
2012	888.9	39.2	14.0	4.2	19.9	20.3
2013	950.1	38.4	13.7	4.2	20.3	21.4
2014	970.6	38.3	10.4	4.2	20.4	21.7

Source: CBN Annual Report and Statement of Accounts (Various Issues).

Table 2: Average Manufacturing Value Added as Percentage of GDP (Five (5) Country Comparison)

Year	China	Indonesia	India	Kenya	Nigeria
1981-1985	39.6	13.6	16	12	9.4
1986-1990	37.6	19	16	12	7.2
1991-1995	39.2	22.4	15.6	10.8	10.8
1996-2000	40.4	26.4	15.6	12.2	5.2
2001-2005	39.8	28.2	15	11.2	3.2
2006-2010	40.6	26.2	15.4	13.6	3.4
2011-2014	37.8	21	18	12	9.0

Source: Samuel and Ganiyu (2016), pp 313-335.

**4.5 Manufacturing Sector contribution to Total Employment:** The essence of industrialization, primarily, is for the expansion of the productive capacity of the economy to produce more goods and services and generation of employment in a country. No country can eradicate or reduce mass poverty unless it creates millions of new jobs a year in manufacturing and service subsectors. According to Ogbu (2012), a robust manufacturing sector is associated with the diffusion of technology, the creation of high value-products, greater linkages in the economy, a wider employment base, and the rising incomes. However, the case is different in Nigeria; as a result of under-utilization of the capacity of the Nigerian manufacturing industries, manufacturing sector contribution to employment in the country had been significantly low. The percentage contribution to total employment by sectors as shown in Table 3 reveals that the average contribution of Nigeria’s manufacturing sector was 11.71% for the period, 1970 – 1985. It rose slightly to an average of 13.57% between 1986 and 1993 and declined to an average of only 10% between 1994 and 2010. This shows that the contribution of manufacturing sector has been quite low, especially in a country where the level unemployment is very high. Whereas manufacturing sector ought to have taken the lead in providing employment in the country, Table 3 shows that agriculture still provides the highest percentage of employment in Nigeria and there had been a



steady increase in the contribution of the service sector to employment. For the period, 1994-2010, the contribution of the service sector to employment overtook that of the manufacturing sector.

Table 3: Manufacturing contribution to Total Employment in Nigeria (%)

Period	Agriculture	Manufacturing	Service
1970-1985	67.59	11.71	7.37
1986-1993	60.79	13.57	9.16
1994-2010	54.49	10.05	12.21

Source: Folawewo, A. O. and A. J. Adedo (2012), pp111.

There is no gainsaying that the contribution of Nigeria’s manufacturing sector to the country’s total employment is a reflection of the size and capacity of the sector. The manufacturing sector of Nigeria, by all indications, is small in size and capacity. The contribution of the different components of manufacturing sector to total employment is generally low. For example, the employment statistics of the Nigerian Textile Industry shows that the contribution of the Nigerian Textile industry, a major component of manufacturing sector, to total employment in the country had been taking a downward trend since 1995. It decreased from 200,000 persons in 1995 to only 83,000 persons and 24,000 persons in the year, 2000 and 2008 respectively.

**4.4 Share of Manufacturing in total Exports and Imports:** The share of manufacturing production in total exports and the share of manufacturing in total imports of Nigeria are shown in Figure 3. For periods 1980-1990, 1990-1995, and 1995-2001 the share of manufacturing in the total exports was below 1.0%. They were 0.48%, 0.17% and 0.26% respectively. In average, the period 1980-2001 showed only a 0.39 per cent contribution of manufactured goods to total export. In 2005, the share of manufacturing in the total export was 0.6% only. Since then, there had been reasonable improvement. It increased to 9.2% in 2010 and by 2014, it was 17.45 %. The share of manufacturing inputs in the total imports, on the other hand, has been very high; except for 2011, 2013 and 2014. It was 80.3% for period 1980-1990, 80.1% for period 1990-1995 and 75.7% for period, 1995-2001. In 2002, it stood at 80.0%, before increasing to 83.0% in 2008. Two things are observed from this analysis. First, the high percentage share of manufacturing inputs in total imports is a reflection of the dependent nature of Nigeria’s manufacturing sector on foreign inputs. Secondly, it implies that the local content in Nigeria’s manufacturing output is very low. This is the major reason for low manufacturing value added to GDP in Nigeria. For manufacturing sector in Nigeria to grow, become strong and performs its mandatory roles in the economy, drastic steps must be taken to increase the local content in manufacturing output. This call for development of iron and steel industries in Nigeria for production of spare parts and moulding of machine’s components for manufacturing industries. All over the world, it is a known fact that, the development of iron and steel industry is the bedrock of industrialisation in any country.



Sources: (1) NBS (2007) pp. 30 (2) CBN (2015) (3) Essien, E. B. (2016)

### 5. Challenges and Prospects for Better Manufacturing Sector Performance in Nigeria

The manufacturing sector of the Nigerian economy has been performing sub-optimally for a long time despite the diverse incentive packages made available by the government due to myriads of challenges which bedevilled the sub-sector. Among the constraints which impede its optimal performance include the following:

**Critical Infrastructure Deficit:** The quantity and quality of infrastructure facilities available in a country affect the production cost and output and consequently, the competitiveness of domestic products in both domestic and international markets and the profitability of business. Thus, efficient and adequate provision of infrastructure like good road network, functional port services and railway system, adequate and reliable electricity supply, telecommunication and water supply is critical for better performance of manufacturing sector. Available data show that Nigeria lags behind the average on almost all basic infrastructural facilities. Social infrastructure also is lacking in the health and education sectors. In addition, the quality of the service is poor, supplies are unreliable, and disruptions are frequent and unpredictable. Most Nigerian roads are in different stages of disrepair. Available data shows that paved road in Nigeria was 17% in 1970. It increased to 30.0% in 1990. Despite the huge foreign exchange earnings from crude oil, it was allowed to deteriorate to 24.0% and 18.1% in the year 2000 and 2013 respectively (World Bank, 2013). Electricity supply is in a precarious state; always unstable, unreliable and inadequate to meet minimum requirement in the country. Ekpo and Adaowo (2012) observed that for over three decades now, Nigeria’s power sector has been ineffective and inefficient in the generation, transmission and distribution of adequate electricity to meet minimum country’s requirement; leading to a wide gap between the demand for and the supply of electricity. Infrastructure deficit (availability, cost and efficiency) in Nigeria has posed serious challenges to manufacturing sector performance because of many economic costs like direct cost of production and production delay associated with it. Inadequate and inefficient infrastructure services had also raised costs of production of manufacturing firms substantially since in most cases, manufacturing firms are compelled to invest in alternative sources. Almost all manufacturing firms in Nigeria are forced to have alternative self-supply electricity through private generators, dig boreholes for water supply, and construct access roads to their sites, whose costs are about three times more expensive compare to public provision. These extra costs incurred by firm had been estimated to be from 10% to 25% of the total machinery and equipment budget of firms (The World Bank, 1998). Enebeli-Uzor (2012) maintained that private power generation by manufacturers account for about 30% of manufacturer’s cost of production and this has severe negative impact on the competitiveness of Nigerian products and the profitability of manufacturing firms. The poor state of roads in the country has also created a constraint in moving raw materials and finished goods across the country, thus making Nigerian made goods non-competitive due to additional costs. In addition to discouraging investment in manufacturing sector of the Nigerian economy, infrastructure deficit also makes the full potential of the sector harmstrung which account for its historical low performance in terms of low capacity utilization, low contribution to the GDP, foreign exchange earnings, exports, employment generation and wealth creation for some years now.

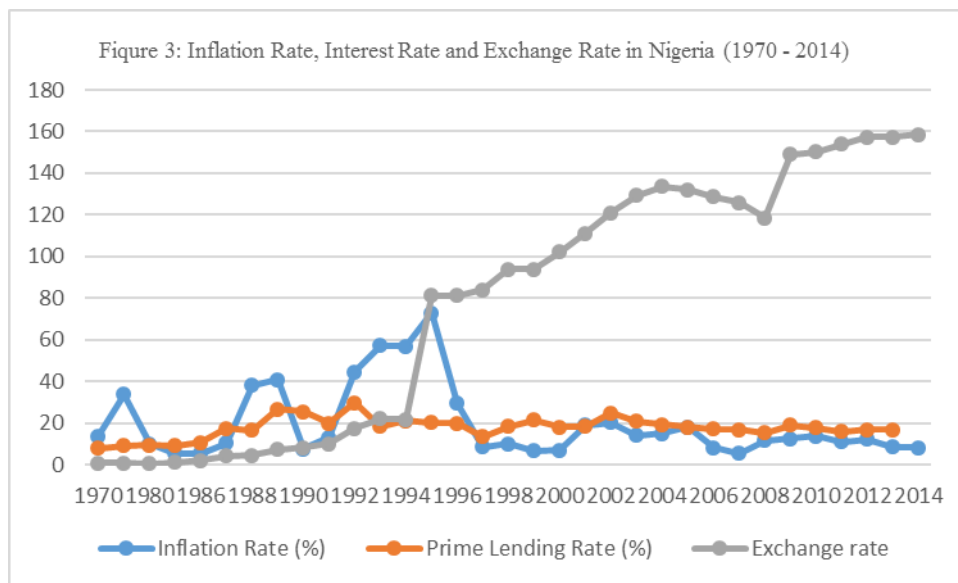
**Inadequate Access to Credit:** In addition to the fact that Nigerian banks are mostly interested in advancing overdrafts and not long - terms loans needed by manufacturing firms, majority of manufacturing firms in Nigeria cannot access banks loan due to high interest rates and inability to provide collateral securities. Consequently, many manufacturing firms in Nigeria, especially medium and small firms, are forced to depend on internally generated funds, funds from family members, friends and informal sector. Finances from these sources, most often, are extremely inadequate for firms to exploit profitable investment opportunities. Table 4 provides sectoral allocation of Bank’s credit in Nigeria between 2003 and 2011. From the table, it is observed that bank’s credit allocated to manufacturing sector had been declining. It decreases from 24.46% in 2003 to 10.6% in 2009. However, there had been a marginal increase to 14.4% in 2011.

Table 4: Sectoral Allocation of Bank’s Credit (2003 - 2011) (%)

Sector	2003	2004	2005	2006	2007	2008	2009	2010	2011
Agriculture	5.16	4.46	2.44	1.96	3.11	1.37	1.4	1.7	3.5
Mining& Quarry	7.98	8.63	8.66	9.96	10.19	10.86	12.7	15.3	17.7
Manufacturing	24.46	21.86	17.68	17.66	10.13	11.96	10.6	12.8	14.4
Communications	24.41	25.19	18.87	19.82	24.06	16.73	-	-	-
Oil & Gas	19.05	18.27	21.67	23.23	26.32	25.37	-	-	-
Others	18.94	21.59	30.68	27.37	26.19	33.62	-	-	-

Sources: (1) Oni, P. A. (2010). (2) CBN (2011).

**Foreign Exchange Availability and Rate:** The manufacturing sector of Nigeria is highly import-dependent. The capital goods such as plants, machinery and equipment, spare parts and greater percentage of raw materials used by manufacturing industries are imported and foreign exchange is needed to acquire them. Hence, there is a strong relationship between foreign exchange availability and foreign exchange rate and manufacturing sector performance in the country. Inadequate foreign exchange and high foreign exchange rate increases the cost of the imported inputs of production. This in turn increases the cost of production, reduces the size of output and the returns to the investors as well as the competitiveness of the product in both domestic and foreign markets through high prices. In Nigeria, from 1970 to 1985, non-market regime monetary policy was in operation and foreign exchange rates were fixed by the government. The exchange rate, which prevailed in Nigeria then, was relatively low. As shown in Figure 3, up to 1985 less than N1.00 was exchanged for \$1.00. Foreign exchange rate did not pose a problem to manufacturing sector rather the challenge was mostly that of obtaining import licence. Following the introduction of structural adjustment programme (SAP) and subsequently the deregulation of the Nigerian economy from 1986, the forces of demand and supply became the determinants of foreign exchange rate. Because domestic consumption, production and investment are highly import-dependent, there had been pressure on foreign exchange demand which had continued to lead to depreciation of the naira. As shown in Figure 3, there had been a dramatic increase in exchange rate over the years. The exchange rate which stood at N2.02 to US\$1.00 in 1986 maintained a downward trend to N84.00 and N136.80 to US\$1.00 in 1997 and 2004 respectively. In 2014, the exchange rate was N158.55. The effect had been persistence high prices of imported inputs in terms of naira and high cost of domestic production. Consequently, this has been transmitted to the whole economy in the form of low manufacturing capacity, low manufacturing output, high prices of manufactured goods and non-competitiveness of Nigeria’s goods in both domestic and international markets.



Source: (1) CBN Annual Report and Statement of Account (Various Issues).  
 (2) CBN Statistical Bulletin (various issues).

**High Interest Rate:** High interest rate has a wide range of effects on the economy in general and manufacturing sector performance in particular. It strongly affects the size of investible fund and the ability of manufacturing firms to borrow from banks. The interest rate of concern here is the lending rate. Lending rates are of two types – the minimum (prime) and the maximum lending rates. The prime lending rate is the cost of funds to borrowers of money. It is interest rate on loans. Figure 3 shows prime lending rates on loans in Nigeria between 1970 and 2014. As observed from the figure, the rate of interest on loans that prevail in Nigeria during period under preview were very high and tended to discourage borrowing for investment purposes by operators of manufacturing sector. It rose from 8.0% in 1970 to 29.80% in 1992 before declining sluggishly to 24.82% and 17.09% in 2002 and 2013 respectively. As could be seen, a remarkable feature of the lending rate is that except for 1985, from 1982 to 2013 it has remained double digits persistently.

**High Inflation Rate:** Inflation rate is an important determinant of manufacturing sector performance. It is indisputable that moderate inflation is needed for business to strive profitably in a country but high and rising inflation rates, being an indicator of macroeconomic instability, is inimical to manufacturing sector

performance. By reducing the value of money, it discourages saving and lowers the economy's saving rate which culminates to low investible funds for investment in the economy. Figure 3 shows inflation rates in Nigeria from 1970-2014. For most of the years, inflation rates were not only high but double digits. The inflation rate which reduced to 5.4% in 1986 rose to as high as 57.2% and 72.8% in 1993 and 1995 respectively before moderating at 29.4%, 20.2%, 17.9% and 10.12% in 1996, 2002, 2005 and 2012 respectively. From 1970 to 2014, except for a few years (1982, 1985, 1986, 1990, 1997, 1999, 2000, 2006, 2007, 2013 and 2014) there was double digit inflation in Nigeria. High inflation rates, especially double digit inflation rate, which held sway in the Nigerian economy for many years, seriously disrupted economic and business relations in the country. It raises expectation of currency devaluation which heightens fears of rising costs of imported capital goods and raw materials. High inflation rate has been a serious disincentive to manufacturing business in Nigeria as it exerts strong negative influence on real interest rate, cost of production, competitiveness of the Nigerian products as well as the profitability of manufacturing firms.

**Multiple Taxes and Levies:** The operators of manufacturing sector in Nigeria are made to pay multiple taxes, levies and other spurious charges. Among the taxes, levies and charges imposed on them include Education Tax, National Science and Engineering Infrastructure (NASANI) tax, Value Added tax, Environmental Sanitation Tax, Advert on Vehicle, Kiosk, Shop and Business premises Tax, National Science and Technology Fund (NSTF), Development Levy, National Advertisement Fee, Haulage and Permit Fee, Tenement Rate Charge, Neighbourhood Improvement Charges, Generating Plant Charge, Commercial premises Charges, Big Vehicle Emblem Fee, Fire Service charge, Pollution charge, commercial Premises charges (Banjoko, Iwuji and Bagshaw, 2012). Multiple taxes, levies and charges are serious disincentives to manufacturing sector performance as they constitute heavy cost burden on the manufacturing firms. It hikes the cost of production and the unit cost of domestic manufactured products, impede on the competitiveness domestic manufactured goods in both domestic and international markets and consequently reduce the profit margin of manufacturing firms.

**Insufficient Demand:** There had been insufficient demand for manufactured goods produced in Nigeria. First, not many Nigerian manufacturing firms export their products which would have expanded their market size and frontier rather they rely mostly on domestic market. In the domestic market, the large population size and growth rate which ought to have been an advantage have been short-changed by low income of the citizens, high unemployment rate and poverty prevalence in the country. Secondly, domestic market is flooded with foreign manufactured goods following massive importation, dumping and smuggling of those goods into Nigeria. This in effect has subjected locally manufactured goods to stiff competition with foreign manufactured goods produced through the use of cutting- edged technology and at low unit cost. The unit cost of manufactured goods in Nigeria is high due to high exchange rate and interest rates together with the costs of private provision of critical infrastructure, especially electricity, which translate into high cost of production in the country. In addition, some domestic manufactured products are of poor quality. The consumer behaviour of average Nigerian is characterised with penchant for foreign goods. This accounts for importation of even substandard foreign goods in the midst of better home-made ones. Consequently, there had been low demand for home-made manufactured goods, reduction in capacity utilization of many manufacturing firms as well as drastic reduction in profitability manufacturing activities.

**Imported Inputs of Production:** The local content of Nigeria's manufacturing sector is very low. Inputs of production (raw materials, machinery, spare parts and even skilled workers) are mostly imported. For this reason, manufacturing sub-sector's performance will continue to have problem because manufacturer's inability to access raw materials due to stiff competition from foreign firms. There will be difficulty in acquiring machinery, spare parts and even skilled workers due to inadequate foreign exchange and high foreign exchange rate.

**Low Level of Technology and Innovation:** It has been argued that the faster mean which a nation can achieve sustainable economic growth and development is neither by the level of its endowed natural resources, nor that of its vast human resources, but through technological innovation, enterprise development and industrial capacity (Ademola, 2012). Improvement in technology and innovation lead to more efficient method of production which reduces costs, and raise output and the rate of return on investment. Innovations and technology are the primary forces propelling modern days manufacturing. Nigeria's manufacturing firms are seriously lagging behind in innovations and cutting – edge technology employed in modern days manufacturing. They are still relying on the old technology and obsolete machines which industrialised countries and emerging economies had discarded. This accounts for overdependence of the Nigerian manufacturing firms on foreign inputs of production (like machinery, spare part, tool and raw material), inability to produce quality finished

products, frequent breakdown of the manufacturing systems, low capacity utilization and none competitive unit cost of production.

**Institutional Inefficiency:** Institutions encompass the public bodies through which the state discharges its most fundamental responsibilities such as maintaining law and order, investing in essential infrastructure, and raising taxes to finance its activities (World Bank, 1991). These public bodies in Nigeria had been plagued by various vices like corruption, bureaucratic red tapes and unnecessary government interference which had weakened and incapacitated their performance thereby rendering them inefficient in enhancing manufacturing sector performance in the country. Soludo (1998) had observed that institutional factors such as corruption, bureaucratic red tapes, weak judicial system and unnecessary government interference in business affect private investment in Nigeria. All these factors increase the operational cost of business, engender insecurity, encourage capital flight and deter private investment especially in manufacturing. For instance, corruption is a high tax on investment. It increases transaction costs of business and engenders uncertainty thereby affecting private investment efforts.

## 6. Conclusion and Recommendations

This paper has elucidated on the manufacturing sector performance, its challenges and prospects with view of providing an insight into the current state of the sector, for necessary policy consideration. The findings show that manufacturing sector performance in Nigeria is unsatisfactory. The current manufacturing sector performance is low compared to the performance levels obtained in the 1970s. One of the notable features of Nigeria's manufacturing sector is that it is highly import-dependent. The plants, machinery and equipment, spare parts and greater percentage of raw materials used by manufacturing industries in Nigeria are imported and foreign exchange is needed to acquire them. Hence, the cost of production, size of output, competitiveness of the product and the returns to investments is strongly tight to foreign exchange availability and foreign exchange rate in the country. The challenges which had impeded the performance of manufacturing sector identified in the study include inadequate foreign exchange and high exchange rate, infrastructural deficit, inadequate access to credit, high interest rate and inflation rate, multiple taxes and levies, insufficient demand and institutional inefficiency.

Not with standing manufacturing sector's current level of performance due to various challenges which had bedevilled it over the years, there are prospects for Nigeria's manufacturing sector to become a veritable tool for empowering and diversifying the real sector of the economy for growth and development. Hence, the following recommendations are made. The monetary policy of the country should be fine tuned to ensure relative stable foreign exchange rate, low interest rate and single digit inflation rate. In view of dwindling foreign exchange earnings from crude oil exports, agricultural resources of the country should be fully exploited and utilized to ensure high agricultural output for export and provision of raw material to agro-based industries which produce for export. This will help to generate substantial foreign exchange for use in the manufacturing sector. Industrial policy formulated for implementation in Nigeria should emphasis high local content of production inputs of at least 80%. Manufacturing sector of Nigeria should venture into the production of capital goods to bail itself out from unnecessary reliance on foreign importation of capital goods like machinery, spare parts, tools, equipment, etc. Hence, to increase manufacturing value added to GDP, the government should give more attention to the development of iron and steel industry in the country. Iron and Steel production firms established by the government, especially Ajaokuta Iron and Steel Plants, should be revitalized to provide industrial base for the country by producing the spare parts, tools, machinery and equipment for other manufacturing firms in the country. The government should ensure the provision of adequate critical infrastructural facilities in the country. There should be adequate and reliable electricity supply to reduce manufacturing sector reliance on private production of electricity. A good road network and functional railway services should be provided by the government to aid movement of raw materials and finished products of manufacturing firms in the country. The Joint Tax Board (state and federal) should meet to review the multiple taxes and levies imposed on manufacturing sector and shave a good part of those taxes and levies.

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