INDUSTRIALISATION: THE ECONOMIC TRANSFORMER AND DIVERSIFIER OF THE NIGERIAN ECONOMY

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Abstract

Since 1980s, Nigeria's industrial sector has continued has shown structural weakness and exhibit declining capacity utilization. The sector mostly has negative growth rates and contributes less to economic growth. This study therefore examined the impact of industrial policy reforms in enhancing economic transformation and diversification of the Nigerian economy. What agent other than industrialization that can easily transform and diversify the Nigeria economy? Industrialisation is an instrument of economic development by which the stride of structural transformation and diversification of any economy can be achieved. Industrialization provides new services to individuals and businesses which brings ample opportunities to investors to explore, and uses its factors of production and the natural endowments to produce goods and services for the use of nations within and outside one's continent. These finished goods and services were taken to other countries as foreign supply to earn foreign reserve to a nation. Goods are produced to aid further production in the form of raw materials that may be exported for economic growth and development, as well as sustainability of bi-lateral benefits. Sustained industrial growth entails good policies which strengthens the industrial base and it's sector. Several industrial policies, plans and strategies needs be formulated and put to implementation. Industrialization fast-tracks the stride of structural transformation and diversification of an economy. Our objective in this study is to examine the effect of industrialisation that takes place in Nigeria for its economic growth. Industrialisation brings about economic growth measured by the GDP. GDP is used as the independent variable to measure the human capital, labour input and capital stock. The results show that human capital, labour input and capital stock bothers on industrialisation and do not contribute significantly to economic growth in terms of GDP. The study recommends that the government should develop good governance machinery to protect the rights of its citizens, improve judicial and security structures, encourage technological advancement, and invest in industrial transformation.

Keywords: The Nigerian Economy, Economic Growth, Economic Development, Nigeria's Industrial Sector, Industrial Policy Reforms, Industrial Transformation, Industrialization, Structural Transformation, Foreign Reserve, Sustainability, Factors of Production, and GDP.

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1.0 INTRODUCTION

1.1 Background of the study

Every country desires the growth of its economy, and so every responsible government strives towards realising the macro-economic objectives of full employment in terms of price stability, economic growth and balance of payments (Abomaye-Nimenibo, 2015).

Full employment means the absenteeism of involuntary unemployment. It is a situation in which everybody who wants to work, gets work. Full employment does not mean zero unemployment.

The International Labour Organization (ILO) states that, the unemployed are the number of the economically vibrant populace who are eager and looking for work and are available, as well as those who had no job but willing to work, and those who lost their jobs and willingly left job (World Bank, 1998).

Fajana (2000) says unemployment refers to a state where people who are willing and skilled in working are incapable of finding appropriate paid engagement. It is one of the macro-economic glitches which each accountable government should monitor and control. The higher the unemployment rate in an economy, the grater would be the deficiency level and related wellbeing encounters.

Economic growth is the process whereby the real per capita income of a country increases over a long period. Economic growth is the measurement of the increase in the number of goods and services produced in a country. Achievement of Balance of Payment is necessary as phenomenal growth in the world trade rather than the growth of international liquidity is maintained. The deficit in the balance of payment will retard the attainment of other economic objectives. Balance of payment is defined as imports equal exports.

1.1.1 Economic Growth

Economic growth is the process whereby the real per capita income of a country increases over a long time (Jhingan, 2016). Some of the factors leading to economic growth include:

i. Population Growth:

Population growth takes precedence, particularly on the working population. Output per head grows concerning the growth in the national product as twined in the rate of national population growth.

ii. Technical Knowledge and Progress:

These two factors are interdependent. They lead to inventions and innovations and development in the production process, which increase output per head.

1.1.2 Growth in Quantity of capital:

Expansion of capital will make more capital available to equip the growing labour force which requires supply of savings. Individuals save by maintaining extensive bank deposits, while businesses also save by keeping enormous profits; and the government also saves by obtaining money from taxation which leaves in the vaults of banks and through public borrowings.

Nigeria borrowing money from Foreign Nations (Abroad), known as external borrowing through inflow of capital in the form of loans, technology transfer, hire of trained foreign labour in the name of acquiring foreign administrative skills, buying foreign bazaar information, borrowing innovative manufacturing procedures, and assets, kits, Etc does not in any way contribute positively to the growth of the Nigerian economy.

1.1.3 Industrialisation:

The use of machinery and other capital assets in the manufacturing of economic goods by the active population of a nation which contributes positively to the growth of the Gross Domestic Product of a nation at a given period is referred to as industrialization. Industrialisation also refers to the period of societal and fiscal change that changes the occupation of human group from an agricultural society into an industrial age to produce industrial goods for the economy as a whole.

Industrialisation plays a vital role in economic growth and development as listed below.

i. **Increase in National Income:**
Industrialisation increases the quantity and quality of manufactured goods which makes for more contribution to the Gross Domestic Product (GDP) of Nigeria.

ii. **Higher Standard of Living:**
In an industrialised culture, the workforces work better, and produces higher and earn more to bring a better standard of living.

iii. **Economic Stability:**
Industrialisation is the sure and quickest way of providing economic stability than the production and exportation of primary agricultural produce and raw materials.

iv. **Balance of Payment:**
The export-orientation and import-substitution aftermaths of industrialisation enhance improvement in the balance of payment difficulties.

v. **Progress in other Economic sectors:**
A development progress in one sector leads to progress of other sectors of the economy such as the Petrochemical m industry leads to the development of the plastic manufacturing industry, yielding enormous money to the country.

vi. **Specialisation of Labour:**
Specialisation of labour leads to promotion of division of labour which leads to increases in the marginal value product of labour.

vii. **Greater control of economic activities:**
Industrial production leads to expansion of production of goods which cut down prices of goods and services, production cost and supply of finished goods, thereby calling forth the lowering of sales price as well as demand for a product.

viii. **Technological progress**:
Once technological advancement is attained, more excellent opportunity for training in skill acquisition and technical know-how for technological progress will arise.

ix. Increase in saving and investment:

Increase in workers' income due to industrialisation, will enhance the workers ability to save; which savings form the capital base of the nation that calls for economic growth.

1.2 Stages in Industrialisation:

The first stage in industrial transformation is the movement of an agrarian economy to that of an industrial economy. Such a stage was reckoned as Industrial Revolution, which actually took place in the mid-18th to early 19th century in Europe and North America. Industrial revolution started in Great Britain, and spread to Belgium, Germany, and France (Dodzin & Vanvakidis, 2004; Blomstrom et al., 1994). The first stage of industrialisation was made possible as a result of technological advancement, leading to a shift from pastoral employment to that of industrial labour. With these new trends of industrial labour arose financial investments in a new structure, in the development of class realization leading to what is called the First Industrial Revolution.

It was not long ago when the "Second Industrial Revolution" sprung up with changes in the middle of 19th century. There arise the modification of the steam engine, the invention of electricity and the inner fire engine, the construction of canals and bridges, the train and its railways and electric-power lines. Other inventions include Coal mines, the assembling plants, steelworks, and fabric plants, giving jobs to people. Hence, the new phase of industrialization began which wind quickly spread to East Asia and other regions of the world in the 20th Century. The countries which were known as the BRICS, an acronym that stands for Brazil, Russia, India, China and South Africa imbibed the new idea and became transformed industrially. The economy of nations develops and improves when they are Industrially transformed (Jones & Manuelli, 1990; Granger & Newbold, 1997). Industrialisation is a reagent that quickens the strides of structural transformation of nations economy by fully utilising its endowed factors of production, and become self-reliant, enhancing its economic growth, and develops sustainably.

Okafor (2005) had defined industrialisation as the endless combination of essential resources such as managerial expertise, technology and various forms of infrastructures by firms to produce goods and services for human consumption, especially in Nigeria.

Industrial development began in Nigeria in the last four decades to ring about economic development replacing the traditional domineering subsistence farming and export of raw materials (i.e. agrarian economy) to that of an industrialized economy for steady growth. The Nigerian nation should see industrialization as the needed factor that has what it takes to economically transform, lead to growth and development through manufacturing as the most reliable way of a stable and viable country; to guarantee the attainment of its desired objectives of reaching self-sufficiency, self-reliance, have sufficient foreign exchange earnings through export, drastically reduced unemployment rate and have a balanced regional development.

1.3 Problem Statement

Every economy wants to achieve economic growth and sustainable development. The only means of achieving this aim is through industrialisation which is able to bring about swift wealth. Nigeria like other Africa nations have abundant natural resources, cheap labour and domestic market to gulp whatever goods that are of value. However, these have not seen to reflect in the region in terms of its economic growth. The much-expected industrial growth in Nigeria has been a disappointment in the recent times. It has been noticed that Nigeria is not advancing in the

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area of exportation of manufactured goods and even agricultural products as from the 1990s. The only product the nation has been good is that of petroleum crude oil with the abandonment of other products that brings in foreign exchange earnings. There has been decline in the exportation of manufactured goods, thereby losing its competitiveness among the African nations, leading to severe defects in its industrial production, macro-economic instabilities, distorting business environment, inappropriate economic policies, bad governance and weak industrial capabilities according to Noko (2016).
How is Nigeria to come out of this mess forms the crux of this research.

1.4 Research Objectives

Our major objective is to evaluate the association amongst industrial expansion and economic growth in Nigeria. The specific objectives include the following:

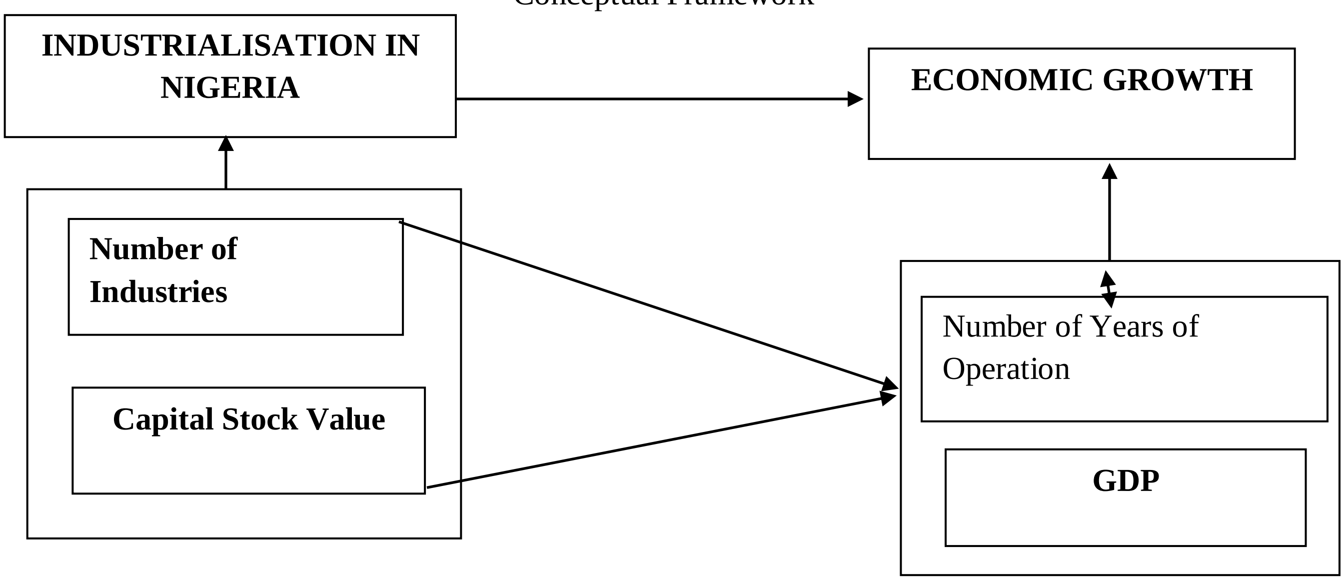
i. To assess the impact of the number of industries on gross domestic products (GDP) of Nigeria;
ii. To highlight the impact of capital stock value on gross domestic products (GDP) of Nigeria

1.5 Research Questions

The following research questions direct this research as follows;

i. What is the impact of industrialisation on Nigeria's gross domestic product (GDP)?
ii. What is the impact of capital stock value on gross domestic products (GDP) in Nigeria?

Conceptual Framework



Source: Conceptualised by the Researcher.
Fig. 1.1: Model showing the link between Industrialization and economic growth in Nigeria.

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1.7 Operational definition of terms

Economic Growth: Economic growth refers to the continual increase in production and consumption of goods and services in Nigeria. It is also the increase in the output that the economy produces over a while.

Economic Development: Economic development refers to the sustained, concerted actions of policymakers and communities that promote the well beings and standard of living of the citizens within an economy. Economic development is the quantitative and qualitative changes in the economy such as action like human capital, critical infrastructure and regional competitiveness.

Industrialisation is the process of careful and continual application of recipe of appropriate expertise management methods with other resources to transform an economy from its traditional state of low production yield to a more efficient mode of production that give high productive yields.

Industry- An industry is a group of firms that produce a similar product or a group mainly in manufacturing physical services

Export Promotion- Export promotion is defined as a strategy for promoting economic development in less developed countries which involves running an open economy relying on a foreign market.

Gross Domestic Product (GDP)- The gross domestic product is the market value of all officially recognised final goods and services produced within a country in a given period.

2.0 LITERATURE REVIEW

2.1 Conceptual Review of Industrialization and economic growth in Nigeria

The Federal Government has since 1986 introduced series of deregulation policies to smoothen industrialisation process to enhance an economically favourable manufacturing atmosphere for Nigerian industries to strive in the production of goods and services, but the sector remains underdeveloped. However, the sector has recorded an average economic performance, especially in the areas of production and international trade (Clunies-Ross et al., 2010; Bolaky, 2011).

The hope of Nigerians in terms of economic development and industrialization rose in 1999 when a democratically elected government came into power. This hope was strengthened by the various theories on democracy-development nexus, which is a primary ingredient of economic development and growth (Borensztein et al., 1998). The performance and growth of the Nigerian industrial sector in terms of production and trade was a turning point in economic growth. The challenge before our country is to design strategies and policies that will bring regional and global competitiveness to economy, especially in the area of industrial products.

In recent studies, it has been found that there exists minimal causal relationship between industrial progress and fiscal growth in developing countries. We analyse the relationship between the industrial development and the economy by using four hypotheses to explain their relationship.

2.2 Empirical Review

The economic structure of Nigerian is characterised by underdevelopment as a result of the country being an agrarian with agricultural product as the predominant occupation. The nation later shifted attention to mining of oil and gas as a significant contributor by contributing up to 95% of revenue to the economy, accounting for over 95 per cent of export incomes and 85 per cent of government income in 2011. The Petroleum sector contributed 14.8% and 13.8% to GDP in 2011, and 2012. The economy has a record track of 36.042 bbs of crude oil in 2011 and 37.119 billion barrels (bbs) in 2012 (Abiola, 2010; Abbott, 2003). Howbeit, the Nigerian industrial sector which is comprised of manufacturing, mining, and utilities subsectors only contributed a tiny proportion of 6% to the economy, while 4% was the contribution of the manufacturing sector in 2011. Despite all the economic policy efforts in the past 45 years, have not really facilitated the much-desired industrialisation process (CBN, 2011).

At attainment of political independence, especially for the period 1961-70, the gross domestic product (GDP) of Nigeria experienced 3.1% annual growth, while the real GDP grew annually by 6.2% from 1970 to 1978. Howbeit, the GDP had a negative growth from 1980 to 1986 which was in 1986 with the introduction of SAP by the Babangida's administration. Thereafter, the real GDP grew at an annual growth of 4% during the period 1988 to 1997. The average annual growth of the economy is less than 3 per cent especially after the discovery and exploitation of oil (NPC 2004). The growth rate of the Nigerian economy (GDP) was 6.27% in 2009, 7.57% in 2010, and 7.38% in 2011. The equivalent per capita was 2.78% in 2008, 3.76% in 2009, and 4.78% in 2010. The Nigerian GDP structure reveals the dominance of the economy by agricultural sector, which includes mining of crude oil and gas, and quarrying, etc. At the time independence, the agricultural sector's contribution to GDP was about 70 per cent; which in the latter years declined to 62.10% in 1977, and 55.68% in 1990 correspondingly; signifying a lethargic shift from prime production of agriculture produce to secondary and tertiary production. The agricultural sector's contribution to GDP in 2003 was 68%, which declined to 55.3% in 2011, signifying that over half of Nigeria's output generated is from the primary sector. The contribution of the manufacturing, building, and construction sub-sectors of the secondary sector to the GDP was the least.

3.0 METHOD OF STUDY

We obtain data for this study from the Central Bank of Nigeria (CBN)'s Statistical Bulletins and that of UNCTAD Statistics database. Our primary variables include GDP for industrial output, and the industrial capital was sourced from CBN, while the human capital input and capital stock were sourced from UNCTAD. The estimation of how industrial output affects economic growth with macroeconomic variables of capital industrial output ratio and labour-industrial output ratio were used as explanatory variables; while the government policy output serves as the explained variable.

We carried out a T-test analysis to ascertain how the number of industries and capital stock value affects the overall GDP of Nigeria throughout 1961-2011.

The trend in Number of Industries between 1961 to 2011 and its contribution to GDP is remarkable.

Table 1: Year, Industrial trend, number of industries and GDP between 1961-2011

YEAR	INDUSTRIES	NUMBERS OF INDUSTRIES	GDP
1961-1963	Agriculture, Trade and Craft	7	12%
1964-1970	Agriculture (palm-oil, cocoa, and peanuts)	38	15%
1971-1980	Green Revolution	75	9%
1981-1983	Steel industry	5	16.15
1983-1990	Industrialisation	37	35%
1980-2011	Oil Boom	Over 1057	80%

Source: National Bureau of Statistics.

4.0 Summary of Capital Stock Value (1961-2011)

The Lagos Stock Exchange was incorporation on the 15th September 1960, being a private limited liability company registered under the provisions of the Lagos Stock Exchange Act 1960 to deal in securities quotation on the Stock Exchange. This Act empowers the Central Bank to have a direct dealing in securities. On 5th June 1961, the Lagos Stock Exchange commence business with 19 listed securities consisting of sis (6) Federal Government Bonds, three (3) equities, and ten (10) industrial loans.

The Lagos Stock Exchange changed its name to Nigerian Stock Exchange in view of the Indigenization Decree of 1977; based on the recommendations of the 1975 Industrial Enterprises Panel (otherwise called Adeosun Panel). Thereafter, six new trading floors were opened at Kaduna (1978), Port Harcourt (1980), Kano (1989), Onitsha (1990) and Yola (2002). On 1st April 1978, the Securities and Exchange Decree was promulgated to replace the Capital Issues Commission following the recommendations of the Financial System Review Committee (Okigbo Committee) in 1976. Also, recommendation for the establishment of multiple exchanges and the approval of share allotments by the Securities and Exchange Commission.

Twenty million Naira (₦20m) representing 7% government revenue bond as loan was the first loan floated by the then Bendel State government to finance its housing development programme in 1978. Subsequently, the Second-tier Securities Market (SSM) was established by the Nigerian Stock Exchange on the 5th April 1985, to provide for the necessities of small and medium scale enterprises. In a similar vein, the Edo State Government floated a Seven (7) year bond of One Million Naira (₦1m) in financing the Ogba Riverside Housing Project in the year 2000. The initial floated bond was ₦500,000,000.00 which was over-subscribed by 103%, leading to the absorption of the excess by the issuance of a supplementary prospectus. At the end of the trading section, the Nigerian Stock Exchange (NSE) all-share index crossed the 10,000-point mark.

Also, the Nigerian Enterprises Promotion Decree 34 was passed into law in 1987. This Decree authorises public companies to be quoted on the Nigerian Stock Exchange, which issues non-voting paid-up shares floated for general subscription. By Decree 29 of 1988 the scope of the Securities and Exchange Commission were enlarged, to review and approve all mergers of companies, and their acquisition and/or combinations of companies. This decree encouraged the establishment of more companies in Nigeria whose shares were listed at the Nigerian Stock Exchange.

In a similar follow-up the Automatic Trading System security trading arrangement was presented to the Nigerian Stock Market in April 1999. This system operates online, with real-time network using computers which increases settlement efficiency from T+2 weeks to T+3 days. The first foreign stock, M-NET Super sport of South Africa, was listed on the Nigerian Stock Exchange in 1998.

The Abuja Stock Exchange was opened on 2nd May, 2001 with four companies listed on a Permission-To-Trade (PTT) basis, being the FSB, International Bank Plc, Inland Bank Nigerian Plc, Ashaka Cement Exchange.

The Capital Issues Committee was instituted in 1963 to study and make necessary recommendation for the institution of an apex monitoring institute the Nigerian Capital Market. In 1966, The Public Bodies Act was established; followed by the Companies Decree in 1968, and the Banking Decree in 1969; while the Nigerian Enterprises Promotion Decree was promulgated in 1972. The Capital Issue Committee was the apex regulatory body for the Nigeria Capital Market with empowerment to determine the prices and timing of new securities offered for sale, and for subscription.

The National Provident Fund is a compulsory contribution Saving Scheme established in 1961 to carter for old age or loss of employment.

The Trustee Investment Acts of 1957 and 1962 were enacted to on behalf of the federal government to create or issue securities (SEC, 1999). Similarly, the Exchange Control Act and Trustees Investment Act also came into existence in 1962.

5.0 SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary/Conclusion

The study focuses on the influence of industrialisation on Nigeria's economic growth and stability for the period 1961-2011.

From 1960 to 1980, 70% of the total working population in Nigeria are affianced to subsistent agriculture, producing cash crops for both local and foreign consumption. Such produce includes but not limited to rice, yam, plantain, cassava, beans, citrus, cocoa, sugarcane, palm oil, kernel nuts, rubber, cotton, groundnuts, timber etcetera.

Top priority has to be given to the institution of iron and steel industry in Nigeria to grangerize industrialization. The iron and Steel industry will serve as the pivotal link and base of real industrialization in Nigeria. Therefore, priority attention should be accorded to this industry, if Nigeria will be a nation moving towards industrialisation. The Production of paper, steel, cement, shoes, textiles, and other imported wares in Nigeria will turn the economy to a vampire industry to a well-grounded heavy-duty industry.

The mining industry must not be neglected as a bane of industrialization high dividend yielding industry. The mining industry will mine the following minerals:- iron ore, columbite, coal, tin, limestone, crude oil, Shale, etcetera. The Petroleum oil has since replaced cocoa, peanuts, and palm products as the country's biggest foreign exchange earner.

A major feature of Nigeria's economy in the 1980s, 1990s, was its dependence on petroleum, which accounted for 87% of export receipts and 77% of the federal government's revenue.

Basically, GDP is a macroeconomic indicator that measure the dependent variable being the number of industries and capital stock value as the dimensions of the independent variables. The main finding of this study is that mechanisation in industries has a positive impact on the Nigerian economic growth.

Our findings revealed that there is a very strong relationship between number of industries with capital stock value and that of gross domestic product. This is because the greater the entrant or revolution in industrialisation the greater the GDP. Capital stock also helps to boast and balance the GDP of Nigeria through sales of bonds etc.

5.2 Recommendations

To achieve this, it is recommended that the government should as a matter of urgency create a conducive environment for industries to strive and grow by

i. Providing the mechanism by which a decent and qualitative legal framework is setup to dispense in industrial matter between workers and employers' rights.

ii. Refining the judicial to effectively dispense justice without fear of persons and speedily.

iii. investing in infrastructural base of the nation such as (a) providing constant electricity 24 hour a day so that the cost of production will be low, culminating in low costs of both materials and finished goods, (b) provision of portable drinking water, (c). auxiliary services, (d) good and functional railway, (e) good road network (f) well-furnished and equipped Hospitals and Schools, etc.

iv. Whipping out terrorism in the country so that industries will work undisturbed.

v. Industries in Nigeria has to produce competitive and quality goods to match foreign goods.

vi. Revamping and investing in other sectors of the economy such as commerce, agriculture and mining which hitherto are the main sources of revenue.

vii. Good governance to ensure protection of the lives and properties of citizens of this country.

viii. Technological advancement be pursued vigorously.

ix. Nigeria should source and use local contents in all materials used for transformation.

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