**Publisher: Asian Economic and Social Society**
**ISSN (E): 2225-4226**
**Volume 2 No. 8 August 2012**


# The Performance of the Nigerian Manufacturing Sector: A 52-Year Analysis of Growth and Retrogression (1960-2012)

**Simbo A. Banjoko** (Department of Business Administration University of Lagos)

**Iwuji, I. I.** (Department of Business Administration University of Lagos)

**Bagshaw, K.** (Department of Business Administration, Rivers State University of Science & Technology, Port Harcourt, Rivers State)

**Citation:** Simbo A. Banjoko., Iwuji, I. I. and Bagshaw, K. (2012). The Performance of the Nigerian Manufacturing Sector: A 52-Year Analysis of Growth and Retrogression (1960-2012). Journal of Asian Business Strategy, Vol. 2, No. 8, pp. 177 -191.

# The Performance of the Nigerian Manufacturing Sector: A 52-Year Analysis of Growth and Retrogression (1960-2012)

**Author(s)**

**Simbo A. Banjoko**
Department of Business Administration, University of Lagos
*Email:* sbanjoko@unilag.edu.ng

**Iwuji, I. I.**
Department of Business Administration, University of Lagos
*Email:* iwujifeanyi@yahoo.co.uk

**Bagshaw, K.**
Department of Business Administration, Rivers State University of Science & Technology, Port Harcourt, Rivers State
*Email:* bagshawkb@yahoo.com

## Abstract

This paper examines the performance of the Nigerian manufacturing sector since independence in 1960 using such performance indices as percentage contribution to the Gross Domestic Product, index of manufactured products, percentage growth rate, manufacturing value added, employment growth rate, and percentage of capacity utilization within this period. Secondary sources like the Central Bank of Nigeria Statistical Bulletin, Annual Reports and Statements of Accounts as well as the Statistical Facts sheets of the National Bureau of Statistics and other publications were used in collecting the data. The main finding is that despite many policies and developmental initiatives undertaken by successive civilian and military administrations since independence, the Nigerian manufacturing sector has grossly underperformed in relation to its potentials. Daunting challenges facing the sector include unfavourable business environment, erratic power supply, poor and decaying physical infrastructures, multiple taxations, obsolete technology, high interest rates and inconsistency in government policies. The paper concludes by making recommendations for achieving a verile manufacturing sector.

## Introduction

The manufacturing sector of any economy worldwide is reputed to be the engine of growth and a catalyst for sustainable transformation and national development. This is because of its enormous potentials as a tool for creating wealth, generating employment, contributing to the country's Gross Domestic Product as well as alleviating poverty among the citizenry. The experiences of the developed countries of the world and the emerging economies of China, India, North Korea, Malaysia and Singapore show that there is a positive correlation between the aforementioned indicators of the performance of the manufacturing sector and national growth and development. Thus, for many up- coming countries like Nigeria, the development of the manufacturing sector is an imperative for meaningful and sustainable national growth.

The objective of this paper is to examine the performances of the Nigerian manufacturing sector these past fifty-two years in terms of its contributions or otherwise to the economic transformation of Nigeria. The paper is divided into five sections. Section I of this paper presents a review and assessment of the achievements of various governmental policies and programmes that have impacted positively or negatively on the manufacturing sector since independence. Section II analyses the trends of growth and retrogression of the sector during the period under review. Section III discusses factors responsible for the decline in the sector. Section IV contains the recommendations for achieving sustainable growth. Section V provides the concluding part of the paper.

The performance of the Nigerian manufacturing sector since independence has been unimpressive. The scenario is a mixture of initial mild growth and subsequent retrogression. At independence, the colonial masters bequeathed to us a manufacturing sector that was weak both in structure and content. The Nigerian industrial sector was substantially dominated by large European companies like UAC, CFAO, and John Holt. These companies were primarily engaged in trade and commerce and in the marketing of manufactured goods imported from their home countries. Our economy was "structured and organized mainly as a source of raw materials and market for industrial products of the mother country, ……. industrialization was discouraged with relevant anti-industrialization enactments and policies made as if to ensure that there was no substantial industrial development" ( Egwaihude *et al.*, 2001). There was no attempt to reinvest financial resources generated within the country for developmental purpose nor was there any concrete attempt made to develop indigenous entrepreneurship.

With the attainment of independence in 1960, an unprecedented euphoria of excitement and greater urge for industrialization became prevalent. The first National Development Plan (1962-1968) was aimed at kick-starting massive industrialization across the country. To this end, well-articulated developmental projects and policies were initiated to stimulate the establishment and growth of a virile manufacturing sector. For example, the building of an Iron and Steel project believed to be critical for a verile industrial growth was set in motion in 1963. The setting up of the Nigerian Industrial Bank; a developmental credit institution in partnership with the International Finance Corporation took place in 1963. Government also initiated the building of the first petroleum refinery at Alese Eleme in Port Harcourt to supply all the refined petroleum needs of the country.

Besides the above, foreign and local investors were attracted with incentives which included pioneer certificates which would allow investors to enjoy numerous tax reliefs, custom duty relief on imported industrial machineries, spare parts and components brought into the country. Local investors were also given protection via expatriate quota restrictions and excise duty reliefs.

With the support and encouragement of government and the aforementioned inducements to foreign and local investors, many industries started to emerge in many part of the country. In Ikeja and Apapa, for example, a plethora of manufacturing activities developed with unbelievable intensity. These included paper, tyres and tubes, textile, saw milling, bakery, cocoa confectionery and aluminum manufacturing companies. In Nkalagu and Sokoto, cement companies emerged to take advantage of the abundance of limestones in these areas. In Kaduna and Kano, leather and footwear manufacturing companies, among others, sprang up.

To support the current industrialization drive with adequate supply of middle, technical and managerial manpower, four Universities: the University of Nigeria, Nsukka, the University of Ife (now Obafemi Awolowo University), Ahmadu Bello University and the University of Lagos were established during this plan period. The premier University College, Ibadan became fully autonomous as the University of Ibadan in 1964. In addition, many trade fairs were held and bilateral trade agreements signed with many countries and foreign investors – all in an attempt to ensure the rapid growth of our industrial sector. In a bold attempt by government to boost electricity in the industrial sector and all parts of the country, a contract for the construction of Kanji dam was awarded in 1964. The country appeared ready for massive industrialization.

**Import substitution as an industrialization strategy**

One serious defect of the colonial administration was the failure to lay a solid foundation for the development of an industrial economy for Nigeria. According to Egwaikhide *et al*. (2001), "an industrial economy was not part of the colonial economic policy which was anchored on making the colonies perpetual producers of primary raw materials for foreign industries and importers of manufactured goods". To correct this anomaly, the strategy of import substitution was initiated whereby local industries would be set up to manufacture goods that would substitute imported goods with locally manufactured products over time.

This strategy was believed to be the path to putting in place a realistic industrial base that could transform Nigeria into an industrial state. Truly, the strategy rekindled our consciousness and fired many investors both local and foreign into setting up many industries. Unfortunately, the import substitution strategy failed to satisfy our aspiration for rapid industrialization as envisaged because of obvious lacuna in our development strategy. As Adejugbe (2004) put it, "we tried to put the right foot in the left shoe". The import substitution strategy as a growth strategy failed because we lack local inputs in terms of raw materials and technology to make it work. Paradoxically, import substitution industries "still depended primarily on imported raw materials and foreign technology and were thus constrained to continue relying on external sources of supply thereby compounding our balance of payment problem. Also, our industrial capacity utilization was put at the mercies of foreign suppliers of our input resources. Thus, with no realistic basis for the development of indigenous raw materials, technology and indigenous capability that are so crucial for any self-sustaining industrialization programme, government had to look for a better strategy for enhancing the development of our manufacturing sector.

**The Second National Development Plan (1970-74)**

The tempo of economic development and rapid industrialization was slowed down by the outbreak of political crisis between 1964 and 1966 culminating in the military coup of 1966. The Nigerian civil war of 1967-70 resulted in the damage of critical infrastructure. Nevertheless, a bold attempt at laying a solid foundation for the emergence of a virile and growing industrial sector had been made by the First Development Plan. Consequently, the focus of the Second National Development Plan was to rebuild industrial facilities and infrastructures that were damaged during the civil war and by so doing revive the post-war Nigerian economy. Damaged roads, electricity and communication networks as well as damaged cement factories in Nkalagu and Calabar were repaired and expanded in an attempt to enhance the growth and diversification of the industrial sector of the economy. New refineries sprang up in Warri, Port Harcourt and Kaduna. New petrochemical plants were built at Eleme while Iron and Steel complexes were built in Ajaokuta and Aladja and new rolling mills at Oshogbo, Jos and Katsina.

Given the above-mentioned efforts and commitment of government to stimulate the accelerated growth of the industrial sector, it is not surprising that the performance of the manufacturing sector during the First and Second Development Plan periods were very remarkable. Table 1 shows the substantial growth of the manufacturing sector between 1958-1967.

The manufacturing sector value added rose remarkably from £75.4m in 1963 to £112.9m 1967, while the sector's percentage contribution to GDP increased from 5.6% in 1963 to 8.4% in 1967. The average growth rate for this period was 16.35%.

**Table 1: Manufacturing sector performance (1958-1967)**

| **Criteria** | **1958** | **1963** | **1967** |
|---|---|---|---|
| Value added (at current factor cost) in $ million | £40.5 m | £75.4 m | £112.9 m |
| Percentage of GDP | 4.0% | 5.6% | 8.4% |
| Annual growth Rate in % | - | 17.0% | 15.7% |

**Source:** Second National Development Plan (1970-74), p. 137

Despite this pattern of industrial growth, current efforts at industrialization failed to broaden the base of our national economy by raising the proportion of indigenous ownership of industrial establishments. Foreigners still substantially dominated the major fabrics of our industrial sector. For a sustainable and realistic growth, indigenous ownership must be encouraged.

**The indigenization policy (1972, 1977)**

A significant and bold move towards the development of indigenous entrepreneurship was made in 1972 with the enactment of the Nigerian Enterprises Promotion Decree with the sole aim of wrestling the Nigerian industrial landscape from the strangle of the foreign entrepreneurs who controlled the technology and other means of productions. To free our 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, the Nigerian Enterprises Promotion Decree of 1972 was passed. The decree reserved certain businesses for Nigerians while the foreign entrepreneurs were left with businesses requiring higher technology and capital outlays.

As noble as the objectives of the decree were, various abuses, even by those it was meant to assist, frustrated the full realization of its objectives. For examples, many Nigerians connived with foreigners to fake the ownership of businesses and thus became agents of destabilization for the foreign entrepreneurs. Consequently, the much expected shift in control to Nigerians did not take place as the foreign partners still provided both the knowledge, technology and others means of production (Ukaegbu, 1991).

Suffice to say, however, that no matter how limited the gains, the indigenization policy were nevertheless provided further impetus to the growth of indigenous entrepreneurship. The 1977 amendment to the decree further “increased our economic independence as a nation while creating a congenial and attractive atmosphere for foreign investors to operate”. (Third National Development Plan, 1975-1980, p. 32)

Towards the tail end of the life of the Third National Development Plan in 1980, it was becoming glaringly clear that the economy was undergoing serious stress as a result of the collapse of oil price in the world markets which resulted in a massive decline in our foreign reserves and a decline in our industrial production as well. Our Gross Domestic Product during the Plan period recorded only a 5% growth against a projected growth rate of 9% per annum. Sadly enough, the decline in our foreign reserves led to rationing of our foreign exchange resulting in the scarcity of essential raw materials. This forced many manufacturing organizations to cut back on their operations leading to unprecedented under-capacity utilization and workers retrenchment that have remained with us till today. An intervention strategy became imperative to save the situation.

**Structural Adjustment Programme (SAP) and its effect on the industrial sector**

Between 1982-1985, the economic situation in Nigeria had become painfully unbearable. All growth indicators had become negative, oil revenue fell drastically as a result of the glut in the world oil market and unprecedented rationing of foreign exchange among manufacturers became the order of the day.

In 1986, the Structural Adjustment Programme (SAP) was introduced as an economic survival strategy. According to Bamidele (2005), it was meant to reverse the downward trends in the economy, widen our industrial base, and provide stimuli for increased exports and incentives for the manufacturing sector to enhance its value-added and contributions to GDP. Unfortunately, SAP turned out to be a colossal failure as most of the expectations were never met. Costs of domestic production rose through the roof. Industrial exports did not get the expected boost. The much expected surge in foreign investment was not realized and the economy became seriously battered. As Table 2 below depicts, the growth of the industrial sector was seriously constrained during this period by scarcity of essential raw materials and high costs of production.

**Table 2: Index of industrial production under structural adjustment programme**

| **Year** | **1987** | **1988** | **1989** | **1990** | **1991** | **1992** | **1993** |
|---|---|---|---|---|---|---|---|
| Growth Rate in % (Base year 1985 =100) | 17.95 | 14.5 | 14.9 | 6.3 | 4.5 | -1.9 | -5.0 |

**Source:** Central Bank Nigeria Annual Reports (Several Issues), see also Uwubanwen, A. E. (2008) Impact of Structural Adjustment Programme on Nigeria’s Industrial Sector, Nigerian Economic and Financial Review, Vol. 1, No. 20, pp 54-67, It is fair however to say that the introduction of SAP had some beneficial effects. For example, and according to Odozi (1998), SAP increased our cost consciousness and called for more rational conduct on the part of our entrepreneurs. It also led to increases in local sourcing of raw materials as typified by the examples of Guinness Nig. Plc, and Nigerian Breweries Plc that now rely more on home grown maize, sorghum and malt. Many textile manufacturers also benefited from local cultivation of cotton.

**The growth trend**

In the preceding section, a comprehensive review of government policies and programmes aimed at creating a sustainable economy and a robust manufacturing sector was made. There is no doubt that these various measures impacted on the growth and development of the manufacturing sector. As shown in Table 3 below, the Nigerian economy in terms of GDP expanded very remarkably between 1960 and 1965 and so was the manufacturing sector whose contributions to the Gross Domestic Product rose fairly from 4.8% in 1960 to 6.9% in 1965. Even though this growth of the manufacturing sector was still minimal when compared with the rate of growth of the manufacturing sector in similar developing countries at this time, it must be acknowledged that this growth rate was only second to the contributions of the oil sector to our GDP.

The period between 1970 and 1975 was a phenomenal growth period for the country. There were steady increases in the world oil market and Nigeria reaped substantial revenue from its crude oil production. Consequently, many laudable developmental programmes were initiated. The government had sufficient leeway to encourage industrialization by way of granting incentives to the operators of the manufacturing sector. During this period, the percentage change in manufacturing output rose from 45.9% in 1970 to 273.9% in 1975 but the sector's contribution to GDP did not rise beyond 5.5% which was a far cry from the 20% contribution of the manufacturing sector to the GDP of most advanced countries at this period.

**Table 3: Value of GDP and percentage of manufacturing contribution to GDP (1960-1983)**

| Year | GDP ₦m | Manufacturing Value ₦m | Percentage Change in Manufacturing Value | Manufacturing % Share Contribution to GDP |
|---|---|---|---|---|
| 1960 | 2247.3 | 107.6 | - | 4.8 |
| 1965 | 3110.0 | 214.6 | 99.4% | 6.9 |
| 1970 | 7203.0 | 313.0 | 45.9 | 4.3 |
| 1975 | 21475.2 | 1170.4 | 273.9 | 5.5 |
| 1980 | 43,280.2 | 2354.4 | 101.1 | 5.4 |
| 1981 | 43,450.0 | 2647.5 | 12.4 | 6.1 |
| 1982 | 46,921.0 | 2647.5 | 0.0 | 5.6 |
| 1983 | 46,672.8 | 2520.3 | -4.8 | 5.4 |

**Sources:** (i) World Bank Tables 3rd Edition Vol. 1, 1983, pp 134-135

(ii) Olaloku, F.A. et al (1979), Structure of the Nigerian Economy, p.10

(iii) Structure of Production in World Development Reports (various Issues) World Bank Publications

(iv) Akinlo, E.A (1996), Improving the Performance of Nigerian Manufacturing Sub-Sector, Nigerian Journal of Economics and Social Sciences, Vol. 38, No.2, pp. 91-110

Table 4 shows the Index of Manufacturing Production between 1970 and 2005 (1985 = 100). The overall index of manufacturing production between 1970-1980 averaged a mere 52.2. It rose to 128.8 between 1981-1990 and further rose to 164.1 between 1991-2000. It however fell to 144.5 between 2001-2005

**Table 4: Index of manufacturing production (1985 = 100)**

| Year | 1970-1980 | 1981-1990 | 1991-2000 | 2001-2005 |
|---|---|---|---|---|
| Index of Production | 52.2 | 128.8 | 164.1 | 144.5 |
| Growth Rate in percentage | - | 146.7% | 27.4% | -11.94% |

**Source:** Central Bank of Nigeria Statistical Bulletin, Vol. 17, December 2006, p.13

The significant rise in the index of manufacturing production between 1970 and 2000 was due to massive investments in the manufacturing sector resulting from increased earnings from our oil production, rise in domestic demand and an avalanche of incentives put in place by government. These incentives include liberal credit policies, provision of shelter and protective tariff against imported goods. Government also established many industrial zones in different parts of the country. Industrial zones at Ikeja and Apapa are typical examples.

Truly, during this period, the capacity utilization of the manufacturing sector increased to a record high of 76.6% in 1975 (See Tables 5a and 5b). The trend in average capacity utilization ranged from 76.6% to 70.1% between 1975 and 1980.

**Table 5(a): Average manufacturing capacity utilization (%) Between 1975 and 1981**

| Year | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 |
|---|---|---|---|---|---|---|---|
| Average capacity utilization % | 76.6 | 77.4 | 78.7 | 72.9 | 71.5 | 70.1 | 73.3 |

**Source:** Central Bank of Nigeria Statistical Bulletin, Vol. 17, December 2007, pp 155-156

**Table 5(b): Average manufacturing capacity utilization (%) between 1982-2007**

| Year | 1982 | 1983 | 1984 | 1985 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Average capacity utilization % | 63.6 | 49.7 | 43.0 | 38.3 | 42.7 | 54.9 | 56.5 | 55.7 | 54.8 | 53.30 | 53.5 |

**Source:** Central Bank of Nigeria Statistical Bulletin, Vol. 17, December 2007. pp 155-157

From Table 6 below, it is observed that an appreciable though fluctuating growth rate of the manufacturing sector was recorded between 2001 and 2005. The growth rate rose from 6.99% in 2001 to 9.12% in 2005. This modest achievement was made possible due to government renewed efforts to boost industrialization via series of economic reforms embarked upon in 2003. The National Economic Empowerment and Development Strategy (NEEDS) which was introduced in 2004 were aimed at (a) boosting our industrial capacity utilization to 70%, (b) creating 7 million new jobs, (c) improving agriculture (d) reducing inflation and (e) eliminating poverty. Even though these objectives were not realized, it nevertheless positively impacted on the modest growth of the manufacturing sector especially between the period 2004 and 2007.

**Table 6: Total manufacturing sector growth rate % (2001-2005)**

| Year | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| Growth Rate in % | 6.99 | 10.07 | 5.66 | 10.00 | 9.12 |

**Source:** The Nigerian Statistical Fact Sheets, National Bureau of Statistics 2006, p. 4

**The trends of retrogression**

A clear indication of an impending doom and retrogression of the Nigerian manufacturing sector became noticeable as far back as 1979. By the early 1970's, Nigeria oil production and earnings had hit an all time high accounting for as much as 90% of her foreign exchange earnings and 65% of government revenues. Unfortunately, the new oil wealth signalled "the concurrent decline of other economic sectors …… and fuelled massive migration to the cities and thus led to increasing widespread poverty …." (wikipedia). The government was carried away by the unexpected deluge of oil revenue and subsequently relegated industry and agriculture to the back burner thereby heralding the decline of the manufacturing sector. Paradoxically and only few decades ago, Nigeria was a net exporter of food. Today, the country spends a substantial part of her foreign exchange earnings on food imports. Some of the raw or semi-processed inputs needed to support manufacturing are hard to come by thereby perpetuating our continued dependence on foreign inputs to sustain our industries.

Despite the substantial oil revenue that accrued to government between 1970 and 1980, it became glaringly clear in 1981 that the economy was under stress. By 1982, there was a catastrophic collapse of the international oil market. Foreign exchange earnings declined drastically and beyond our expectation. Our penchant for high imports created an unprecedented foreign exchange scarcity that necessitated rationing among manufacturers. The resultant effect was the collapse of many industries in the face of acute shortage of essential raw materials, spare parts and components. The large import-substitution industries which depended heavily on imported raw materials were seriously hit and had to cut back on their production shifts. This resulted in low capacity utilization. The average capacity utilization that stood at over 70% between 1975-1981 suddenly and sadly plummeted to 49.7% in 1983, and worsened to 43.0% in 1984. This inevitably signalled the beginning of the retrogression of the manufacturing sector from which the sector is yet to recover.

In its wisdom and as discussed earlier, the government introduced the Structural Adjustment Programme (SAP) to deal with the unwholesome situation. Specifically, SAP was introduced to help correct the imbalance in resource allocations among and across sectors, accelerate development and enhance the use of local raw materials and intermediate inputs (Akinlo, 1996). According to Uwubanwen (2008) "it was to restructure and diversify the productive base of the economy in order to reduce dependence on oil and on imports" as well as remove bottlenecks that have impeded rapid industrial development.

Unfortunately, the expected relief and upliftment for the industrial sector was never realized because of the nature and structure of our industrial sector. Cost of local production shot up following the introduction of SAP. Locally produced goods couldn't compete favourably with imported goods both in price and quality. Because our industries still depended heavily on imported machineries and raw materials, the costs of sourcing them became exorbitant and unbearable in the face of scarce foreign exchange. Sadly, no serious attention was given to developing local sourcing of neither raw materials nor indigenous technology necessary to process such materials. Consequently, serious economic crisis completely enveloped the manufacturing sector and thereby restrained its potentials to create wealth, generate employment as well as enhance poverty alleviation. As the UNDP (2007) report on Nigeria showed, the poverty level in Nigeria had progressively worsened over the years (See Tables 7a and 7b).

**Table 7(a): Nigeria poverty level (1980-2008)**

| **Year** | **1980** | **1985** | **1992** | **1996** | **1999** | **2004** | **2006** | **2008** |
|---|---|---|---|---|---|---|---|---|
| Poverty level in % | 28.17 | 46.0 | 46 | 65.6 | 70.9 | 70.0 | 70.9 | N/A |

**Source**: UNDP Report on Nigeria, 2007

**Table 7(b): Nigeria's poverty level in comparison with other developing nations**

| Country | GDP Per Capital US$ | | Poverty Rate in % | |
|---|---|---|---|---|
| | 1975 | 1999 | 1975 | 1999 |
| Malaysia | 808 | 14,800 | 65 | 8 |
| India | 430 | 2420 | 58 | 36 |
| Singapore | 2505 | 27,597 | - | - |
| Indonesia | 1504 | 2046 | 60 | 14 |
| Nigeria | 454 | 325 | 47 | 70 |

**Source**: Shamsuddeen Usman (2011) achieving the Nigerian Vision 20: 2020 and the President's Transformation Agenda. The Role of the Manufacturing Sector, Paper delivered at the 39th Annual General meeting of the Manufacturing Association of Nigeria in Lagos.

The Nigerian manufacturing sector as at today has not contributed substantially to the country's GDP nor has it contributed significantly to employment generation. The growth rate of employment in the sector has been on the downward trend. Today, the nation's overall employment situation has worsened. Part of what the Economic Reform Programmes under the National Economic Empowerment Development Strategy (NEEDS) was supposed to achieve was to generate more employment for our teaming jobless youths. Unfortunately, and rather than abate, the rank of our jobless graduates is widening day by day. Worst hit is the textile industry sub-sector where not less than 37 textile companies have folded up since year 2000 (Table 8). The gloomy employment statistics of the Nigerian textile industry between 1995-2008 as presented by NTMA/UNIDO (2009) study are shown in Figure 1.0 indicating a sharp decline in employment from 200,000 employees in 1995 to a mere 24,000 employees in 2008. There cannot be a better proof of a declining sector than this gruesome unemployment statistics.

**Table 8: Textile companies that have closed down in Nigeria within the last 10 years**

| | | | | | |
|---|---|---|---|---|---|
| | **Lagos State** | 15 | Textile Specialties Nig. Ltd | 9 | Unitex Ltd |
| 1 | Afprint Nig. Plc | 16 | Nigerian Synthetic Fabrics Ltd | | |
| 2 | Western Textile Mills Ltd | 17 | Reliance extile Ltd | | **Kano State** |
| 3 | President Industries Nig. Ltd | 18 | First Spinner Plc | 1 | Bagauda Textile Mills Kano |
| 4 | Pacific Weaving Coy Ltd | 19 | Specomill Textile Ltd | 2 | Kano Textile Printers Ltd |
| 5 | Vinkay Industries Nig Ltd | | | 3 | Dangote Textiles |
| 6 | Nibeltex Industries Nig Ltd | | **Kaduna State** | | |
| 7 | Abel Abu Industries Ltd | 1 | United Nigerian Textile Ltd | | **Other States** |
| 8 | Jay bee industrial Nig Ltd | 2 | SRC Industries Ltd | 1. | Asaba Textiles Mills Asaba |
| 9 | Aswani Industries Nig Ltd | 3 | SRC Industries Ltd | 2 | Stretch Fibres Industries Ltd |
| 10 | Kay Industries Nig. Ltd | 4 | Arewa Textiles | 3 | Horison Fibres Industries Ltd |
| 11 | Diamond Spinner Nig. Ltd | 5 | Supertex Limited | 4 | Aba Textile Mills Ltd, Aba |
| 12 | Texlon Nig. Ltd | 6 | Blanket Manufacturing Co. Ltd | 5 | Dorji Textile Mills Ltd, Aba |
| 13 | Elite Industries Ltd | 7 | Finetex Ltd | 6 | Edo Textile Mills Ltd, Benin |
| 14 | Bhojray Industries Plc | 8 | Kaduna Textile Ltd | 7 | Odu'a Textile Industries Ltd, Ado-Ekiti |

**Source:** Nigerian Textile Manufacturers Association, February, 2009

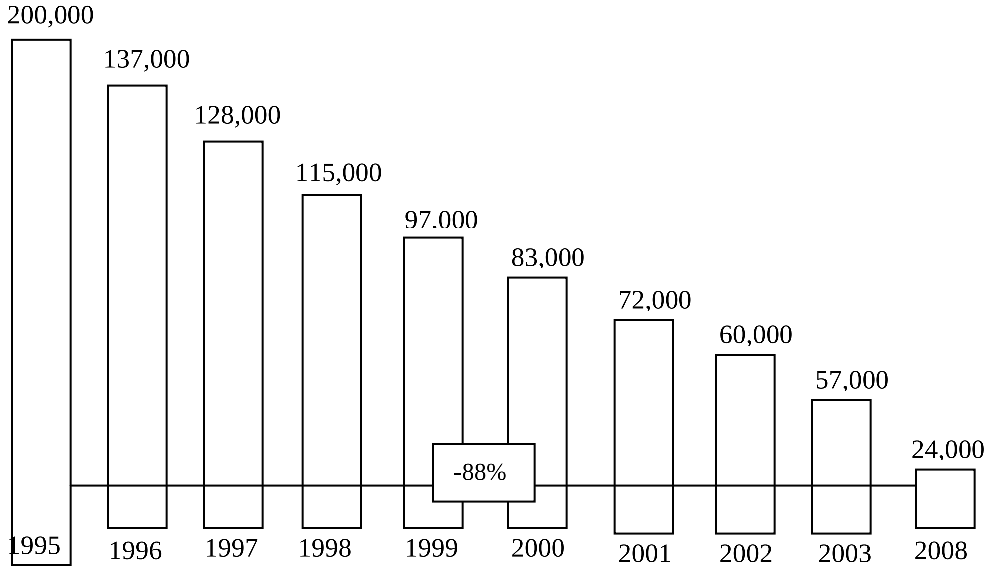


**Figure 1.0: Employment statistics of the Nigerian textile industry (1995-2008)**
**Source**: NTMA/UNIDO, 2009

**Factors responsible for the decline of the manufacturing sector**

Despite the surge in economic activities and investment growth between 2003 to date resulting from series of economic reforms embarked upon by the government and several industrialization initiatives, the manufacturing sector had not impacted very positively on the national economy. Not much employment has been generated by the sector and with the recent wave of relocation to neighbouring countries by many companies like Dunlop (Nigeria) Plc, Michelin (Nigeria) Plc and Nestle (Nigeria) Plc; the employment situation is getting worse. There is still widespread poverty. Economic indices show that the living standards of the average Nigerian have fallen and there are strong indications that Nigerians were better off in the 1970s than they are today (UNDP, 2007). The major factors responsible for the retrogression of the Nigerian manufacturing sector can be traced to the following unwholesome challenges.

**(a) Unfriendly business environment**

The Nigerian business environment is far from being friendly and congenial for manufacturing activities to thrive. The availability of critical infrastructures necessary to support the sector is far from being adequate, imports of essential raw materials are problematic and government bureaucracy is very cumbersome (MAN, 1991). The security concern has assumed more frightening dimensions especially with the recent waves of bomb attacks, armed robberies and kidnapping episodes. As a result, inflow of foreign investments has been held up while many companies have relocated to safer and more business friendly environment outside the country.

**(b) Poor regulatory environment**

Nigeria is characterized by a poor regulating environment. Laws are made and broken at will and enforcement machineries and agencies are seriously deficient and corrupt. Paradoxically, law enforcement agents like the police, LASTMA, Vehicles Inspection Officers and tax officials who are supposed to uphold the law are the worst offenders. Corruption is at its highest level particularly among public officials. Custom officers connive with smugglers to bring in cheap and fake imports across the borders. It is reported that every year and regardless of the ban placed on importation of textile materials, “Nigerian importers … bring in over N19 billion worth of fabrics and textiles from Dubai (Malaifa, 2009). As these imported textiles flood the country unrestrained, they result into the crippling of local industries and death of many local textile mills. To date, not less than 37 textiles mills have collapsed as shown earlier in Table 8.

**(c) Infrastructural challenges**

Nigeria's infrastructural challenges are so daunting to the extent that they have caused in incalculable damage to the growth of the economy in general and the manufacturing sector in particular. The truth is that successive governments in Nigeria have not made adequate investments in public infrastructure to the level required to guarantee sustainable growth of our economy. The nation's power supply is erratic and grossly inadequate. The Nigerian power sector has witnessed serious neglect over the years. For example, for a period of twenty years between 1979 and 1999, no new investment in the power sector took place despite the fact that our population and economy grew remarkably during this period. It is sad and shameful that the power sector cannot generate 4000 megawatts of electricity for an economy that requires between 40,000 and 50,000 megawatts for sustainable national growth and development. According to the Nigerian Bureau of Public Enterprises (BPE), "Nigeria requires \$15-\$20 billion of investment over the next three years to buy and develop electricity assets" Meanwhile, power outages have continued to stifle economic growth as most companies rely on generators. Many businesses particularly the SMEs, and artisans like welders, panel beaters, paint sprayers, hair dressers are groaning heavily under the yoke of inadequate power supply.

Our road networks all over the country are bad and have become death traps. Our railway networks are fast disappearing and our port infrastructures are grossly inadequate. Importers suffer endless delays in clearing their goods. Businesses all over the country are suffering from these infrastructural inadequacies. Table 9 presents the gloomy picture of our infrastructural challenges and our competitive rating among 131 countries of the world.

**Table 9: Infrastructure: Nigeria's world ranking out of 131 countries**

| **Items** | **Position** |
|---|---|
| Quality of electricity supply | 128$^{th}$ |
| Quality of port infrastructure | 127$^{th}$ |
| Quality of overall infrastructure | 122$^{th}$ |
| Quality of roads | 120$^{th}$ |
| Available safe kilometers (hard data) | 114$^{th}$ |
| Quality of air transport infrastructure | 102th |
| Telephone lines (hard data) | 89$^{th}$ |

**Source:** Global Competitiveness Index 2006/2007

**(d) Multiple taxation**

Another serious challenge facing the operators of our manufacturing sector thereby constituting the problem of multiplicity of taxes, levies and other spurious charges that have imposed heavy cost burden on the companies thereby escalating the cost of doing business. Table 10 presents a picture of this avalanche of multiple taxations.

**Table 10: Summary of levies, taxes and spurious charges imposed on manufacturing businesses in Nigeria**

| | | | |
|---|---|---|---|
| 1 | Education Tax | 9 | Development Levy |
| 2 | NSTF (National Science And Technology Fund) | 10 | National Advertisement Fee |
| 3 | NASENI (National Science and Engineering Infrastructure) Tax | 11 | Tenement Rate Charge |
| 4 | Value Added Tax | 12 | Haulage and Permit Fee |

| | | | |
|---|---|---|---|
| 5 | Environmental Sanitation Tax | 13 | Big Vehicle Emblem Fee |
| 6 | Neighbourhood Improvement charges | 14 | Fire Service Charge |
| 7 | Generating Plant Charge | 15 | Environmental Pollution charge |
| 8 | Commercial premises charges | 16 | Advert on Vehicle, Kiosk, shop and Business premises tax |

**(e) Rising cost of capital**

Rising interest rate on borrowed loans have in the past risen to as high as 22% thereby constituting another crippling factor on the growth of the Nigerian manufacturing sector. In recent time, the lending rates have crashed but not sufficient enough to give the needed reprieve. The recent CBN banking reforms and recapitalization have made access to banking facilities more difficult as banks have become more cautious in granting credits to the operators of the real sector. With restricted access to bank facilities, the woes of the manufacturing sector have become even more compounded.

**(f) Dearth of local skills and technology**

Dearth of local skills and indigenous technology has been another serious inhibitor to the growth and development of the Nigerian economy and the manufacturing sector in particular. Fifty-two years after independence, there is still heavy reliance on imported technology and raw materials as not much attention has been given to the development of local-based technology without which no sustainable growth and development can be achieved.

In appreciation of the magnitude and impacts of the above-mentioned restraining factors on the performances of manufacturing companies, the National Bureau of Statistics conducted a survey of ten factors that could enhance business operations in Nigeria. Table 11 shows the report of the study.

**Table 11: Business enhancing factors**

| **Enhancing Factors** | **Mean Ranking** |
|---|---|
| Improvement in Electricity supply | 6.78 |
| Stability of Government Policies | 6.51 |
| Low tariff on imported inputs | 5.46 |
| Increase in Domestic Demand | 5.23 |
| Government support | 5.21 |
| Stable exchange rate | 5.12 |
| Access to Bank credits | 4.94 |
| Improvement of other infrastructure (road, rail etc.) | 4.60 |
| Confidence in Nigerian economy | 4.39 |
| Improvement in clearance of goods at ports | 4.14 |

**Source:** Nigeria Business Statistic: The Nigerian Statistical Fact Sheets, 2006, p. 70

The above enumerated challenges have conspired to make the Nigerian business environment unfriendly to business activities and have weakened especially the Nigerian manufacturing sectors' capability to generate employment, create wealth and alleviate poverty among our people. What options do we have to combat these various challenges?

**Strategies for sustainable growth of the manufacturing sector**

An important character in **Shakespeare's Julius Ceasar** once said, *"The fault dear Brutus is not in our stars but in ourselves that we are underlying ..."* The unimpressive performances of our manufacturing sector and our overall economy is not an act of God but self-made. Nigeria is richly endowed with abundant natural and human resources needed for economic emancipation and transformation. For examples, Nigeria's stocks of oil reserves are "estimated to be 35 billion barrels ($5.6 \times 10^9$

x $m^3$), and her gas reserves are well over 100 trillion $ft^3$ ($2800km^3$), while her crude oil production is well over 2.2 million barrels (350, 000 $m^3$) per day". (Wikipedia) The country's population of about 160 million people provides the largest product or service market in Africa. It is sufficiently adequate not only to boost domestic demand but also to make the country a toast or haven for foreign investors. Unfortunately, our priorities and resources have been badly managed. Our oil wealth has become a curse as it has lured us away from giving the much needed attention to our agriculture and the manufacturing industry. Today, our manufacturing sector lies prostrate and fast crumbling. As we celebrate our fifty-two years of independence, the government needs to go back to the drawing table and evolve realistic and pragmatic strategies for sustainable growth of the infrastructure like in the manufacturing sector.

The recommended strategies for achieving a sustainable growth of the manufacturing sector must include the following:

(1) A massive investment in the critical power and energy sector that would ensure a complete and radical overhaul of our power sector has become imperative if we are to achieve a sustainable economy and a virile manufacturing sector. The present erratic electricity supply of less than 4000 megawatts is grossly inadequate when compared with South Africa's electricity supply of 40,000 megawatts even with her entire population of less than one-third of Nigeria's population. According to Adenikinju *et al.* (2002), about 35% of the setup investment of most manufacturing companies is spent on providing private electricity via the installation of heavy duty generators. In a recent study, the Bureau of Public Enterprise (BPE) in the **Nations** Newspaper reported the nation needs to acquire and rehabilitate the 6 generation and 11 distribution successor companies, make provision for the 10 NIPP generation plants and related NIPP transmission and gas distribution network equipments. It is hoped that with the recent launching of **Power sector improvement roadmap** by the present administration, the manufacturing sector would enjoy a new lease of life as many foreign and local investors who have abandoned our shore would find it convenient to return.

(2) There is need to invest massively in human capacity development of indigenous technology and local sourcing of raw materials. Companies must be encouraged to invest in Research and Development of new modes and modern technology of production.

(3) Government must deliberately provide a congenial and conducive environment for business to thrive. This must include putting in place adequate security to protect investors' lives and investments, good regulatory system, eliminating inconsistency in government policies, eliminating multiple taxations and extortion as well as the payment of additional and unofficial fees for public services that are supposed to be free. It is observed that foreign investors are often the easy targets of extortion and bribery by fraudulent public officials both at the local, state and federal levels. Consequently, there is an urgent need for the harmoriszation and streamlining of our tax administration system as well as our investment laws in a manner that would facilitate expatriate quota processing and enhance unhindered flow of foreign investments.

(4) Government must often check and control the charging of high interest rates by overzealous banks as such high rates often stifle the survival and profitability of many small and medium business organisations.

(5) There is need for improvement in our physical infrastructure. Our road networks are bad, there is lack of adequate water supply to many industrial estates, our rail system has collapsed while facilities at our ports

are begging for improvement and must be attended to.

(6) Our manufacturing sector must be recognized not only as a catalyst for creating wealth, generating employment and alleviating poverty but also as a major sector for enhancing national growth and development. As such, it must be accorded its due regard and priority in the scheme of things.

(7) There is need for a deep appreciation of the critical role of the small and medium enterprises (SMEs) in the growth and development of our industrial sector. Nigeria has not developed her SME's potentials for rapid industrialization because the country has failed to realize that SMEs not only provide breeding ground for developing and testing new entrepreneur skills and talents but also promote indigenous-based economy. According to United Nations' report, Japan's industrial strength rests squarely on the development of her SMEs which accounted for 37.2 million or 81.4% of her total labour force as at 1990 while about 56.1% of the total manufacturing value added came from the SMEs. In China, it was reported that the SMEs "provided 60% of its total output of fertilizers, 57% of the total cement industries output and 67% of the output of agricultural machineries". It has also been reported that in India, between 1984 and 1985, SMEs "contributed 50% of total industrial production, 80% of total industrial sector employment and 40% of its total exports production". In Canada, SMEs presently account for 50% of the labour force… In realization of the potentiality of the SMEs, the South Korean government is presently formulating new policies in favour of SMEs.

The Nigeria Institute of Science and Economic Research (NISER) 1985 study reported that 45% of industrial employments in the country were provided by the SMEs. Thus, an increased emphasis and attention to the development of our SMEs would be a viable strategy for a sustainable manufacturing sector.

(8) Enforcement of a verile fiscal discipline and moral orientation that would shift the focus of our legislators, politicians and decision-makers from "sharing the cake to baking and enlarging the cake"

(9) Reducing red tapism and unwarranted bureaucracy that would, among others, facilitate and enhance easy and quick business registration and prompt clearance of goods at the ports.

(10) Reinvigorating the fight against corruption in all facets of our public and private life has become imperative.

(11) Putting in place measures to deal with the emerging threats to national security from militia and religious fanatics in form of terrorism, killing and kidnapping that have become the order of the day in Nigeria and a potential threat to foreign investors.

(12) For too long, Nigeria has remained a mono-product and oil dependent economy. The time has come for a more diversified economy.

(13) The country's export structure must be transformed from one that is restricted to merely producing primary products to one that would focus on, and export processed and manufactured goods to the outside world.

(14) Above all, there is need for all stakeholders in the Nigerian economy and the manufacturing sector in particular, to be more committed to savaging the economy and manufacturing sector in particular from the looming catastrophe

## Conclusions

Despite Nigeria's huge natural and human resources endowment, her economic growth has been stunted over the years, her main challenge has been how to effectively use this huge resource advantage to enhance her economic growth and improve the welfare of the citizenry. The country's manufacturing sector has grossly underperformed these past fifty – two years particularly when compared with that of Asian countries of Malaysia, Indonesia and Singapore that share the same colonial experience with Nigeria. Since 1970s, the country's poverty level had worsened, the manufacturing value added has declined steadily from 10% of GDP in 1983 to only 3% in 2006 (Okonkwo, 2007). Today, the unemployment situation is very worrisome due to increasing incidence of collapsed businesses or the relocation of many companies to neighbouring countries that offer more conducive business climate.

As the country begins the second phase of her millennium year, there is need for a rethinking and restrategizing on the part of our policymakers and other stakeholders. Government must appreciate the critical role of the manufacturing sector to national growth and development. It must acknowledge the incalculable and enduring benefits that would result from the development of the industrial sector. Consequently, government must close the loopholes that have restrained the performance of the manufacturing sector these past fifty-two years by rekindling the Nigerian spirit of entrepreneurship. It must embark on massive overhaul of our morbid physical infrastructure (power, road, rail and ports), and create a business-friendly environment.

Government must assist in building local based knowledge and technology by investing in skills and technology development and by so doing liberate the country from the strangulation of importation and recolonization. Our vision 2020 aspirations will be a mirage without rapid structural transformation of our non-oil sector. Given the state of the economy, the performance of the manufacturing sector and the rising level of unemployment, poverty, and insecurity, Nigeria is already falling short of her Millennium Development Goals of halving the poverty level and creating a conducive environment for growth by year 2015. However, as we embark on the second phase of our millennium years, there is hope of a better future for this country if our policymakers would borrow a leave from the experiences of the fast developing Asian countries of Malaysia, Singapore, India and China. This hope must rest on government developing the will, capacity and determination to initiate policies and programmes that would turnaround the fortunes of the Nigerian manufacturing sector and thereby enable it perform its unique role of wealth creation, employment generation and poverty alleviation.

## References

Adedipe, B. (2007). Manufacturing: way of out of Precipice. Zenith Economic Quarterly, Lagos, 2(12): 33-41

Adejugbe, A. (2004). Industrialization, Urbanization and Development in Nigeria, Lagos. Concepts Publications

Adenikinju, A. Soderling, L., Soludo, C. and Varoudakis, A. (2002). Manufacturing Competitiveness in Africa: Evidence from Cameroun, Coted'lvoire, Nigeria and Senegal. Journal of Economic Development and Cultural Change, 50(3): 649-664

Akinlo, E. A. (1996). Improvring the Performance of the Nigerian Manufacturing Subsectors after Adjustment: Selected Issues and Proposals. Nigerian Journal of Economics and Social Studies, 38(2): 91-110.

Bamidele, R. O. (2005). Globalization and the Nigerian Manufacturing Sector. Nigerian Journal of Economics and Social Studies, 47(2): 281-332.

Banjoko, S. A. (2009). The Nigerian Manufacturing Sector: Bumpy Past and Shaky Future what Options for survival? University of Lagos Inaugural Lecture series.

Banjoko, S. A. (2002). Maximizing the Value of the Production System in the Nigerian Manufacturing Industries. Journal of Management Studies, 9 (January): Edition, 50-64.

Egwaikhide, F. O., Ekpo, A. H., Oyeranti O. and Ayodele O. (2001). Four Decades of Industrialisation in Nigeria: A Critical Analysis. Nigerian Journal of Economics and Social Studies, 42(2): 365-391.

Hall, A. (1992). Technological Capabilities and Industrialization. World Development, 20(2): 165-186.

Imerbore, A. M. (2001). Industrial Overview of the Contribution of Industry to Sustainable Development in Nigeria. UNIDO Report.

Malaifa, O. (2009). Breaking the Gridlock – A Special Report on the Economy. Tell Magazine February, pp. 48-53

Manufacturers Association of Nigeria, Annual Reports and Statements of Accounts (2007). Manufacturers Association of Nigeria, Economic Review 2005-2007

Issues.Manufacturers Associations of Nigeria, (2005). National Forum on Reviving Nigerian Industries MAN, Lagos.

Nigeria (2004). National Economic and Development Strategy, National Planning Commission Abuja Nigeria Enterprises Promotion Decree (1972-1977).

Nigeria First National Development Plan (1962-1968).

Nigeria Fourth National Development Plan (1981-1985).

Nigeria Second National Development Plan (1970-1974).

Nigeria Third National Development Plan (1975-1980).

Nigerian Textile Manufacturing Association (NTMA)/United Nation Industrial Development Organisation (UNIDO) (2009).

NTMA/UNIDO (2009). Situation of the Nigerian Texile Industry (1985-2008) AGO A Civil Society Forum Nation Newspaper, Sunday 28th April 2012, p. 4.

Odimegbu, F. (2007). Reviving Manufacturing as a core Stimulant of Development" Management in Nigeria, 42(1): 10-12.

Odozi, V.A. (1998). An Overview of Foreign Investment in Nigeria 1960–1995. Occassional Paper No. 11. Research Department. Central Bank of Nigeria.

Okonkwo, U. (2007). Building a Competitive Industrial Sector in Nigeria: Challenges, Opportunities and Strategies. Paper Delivered at the 35th AGM Conference of Manufacturers Association of Nigeria.

Olaloku, F. A. *et al*. (1979). Structure of the Nigerian Economy, Lagos : Macmillian press Ltd. P10

Ukaegbu, C.C (1991). The Structure of Nigeria Industries and the Utilization of Scientific and Technological Manpower. Journal of Economic and Social Studies, 33(1): 1-19

Usman Shamsuddeen (2011). Achieving the Nigerian Vision 20: 2020 and the President's Transformation Agenda: The Role of the Manufacturers Sector. Paper Delivered at the 39th AGM Conference of the Manufacturing Association of Nigeria.

Uwubanmwen, A. E. (2008). Impact of SAP in Nigeria's Industrial Sector. Nigerian Economic and Financial Review, 1(20): 54-67.