

A Literature Review of Past and Present Performance of Nigerian Manufacturing Sector

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Abstract: This paper attempts to examine the past and present performance of the Nigerian manufacturing sector. The major problems and limitations that impede the growth of the sector are analysed. In the 1960s and 1970s after the country's independence, the Nigerian manufacturing sector had been developing positively as a result of direct foreign investment. Foreign companies had introduced new manufacturing technology that saved time and cost, and improved the quality of the products manufactured. Despite this initial flourishing growth phase though, the sector was not able to successfully meet local demand and cost the country much to pay for manufactured goods. From the end of 1980s to date, many problems were found that were responsible for low growth and development in the manufacturing sector. Some of these problems were dependency on oil for income, weak infrastructure, shortage of skilled labour, lack of adequate financial resources, lack of proper management and planning, and so on. The paper concludes that it is essential to work towards resolving all these problems in order to rejuvenate Nigerian manufacturing establishments so that the manufacturing sector can play an important role in the country's economic development.

Keywords: Nigeria, manufacturing sector, oil-based economy, developing countries.

1. Introduction

This paper presents a review of research studies conducted during the last forty years that describe the performance of the manufacturing sector of a particular developing country. The focus country for this paper is called Nigeria and it is located in sub-Saharan Africa.

The purpose of the paper is not only to evaluate and examine the performance of the Nigerian manufacturing sector, but also to find what gaps there may be in the literature so that further study can be focused on filling these gaps.

While discussing the Nigerian manufacturing sector, it is very important to understand its entire basic economic structure. Nigeria depends largely on oil for its export and this dependence has a significant negative impact on other sectors. To effectively study the manufacturing sector then, it is necessary to study the role of the oil sector and its corresponding effects. Thus, the review of the studies related to the Nigerian manufacturing sector performance is led by the study of the oil-based economy of Nigeria.

2. Nigeria – An oil-based economy

The Energy Information Administration (EIA) reported that Nigeria is the 11th largest producer of crude oil with a production output of 2.5 million barrels of crude oil per day as of December 2006, and it is among the influential members of Organisation of Petroleum Exporting Countries (OPEC) [1, 2]. Because of this, the oil price decline affects the economy of Nigeria considerably; and in turn, also affects country's economic activities such as working conditions and productivity [3, 4].

A researcher, Hale [5], revealed that since the entire economy of Nigeria depends on oil revenue and the country has very large oil reserves, it has a great potential to build a strong and vibrant economy simply on the basis of huge oil revenues. Unfortunately, oil

revenues failed to improve the poverty level of the country and it was among the world's poorest countries until 2002. The researcher pointed out some of these main reasons for this failure. He observed that while the Nigerian government did set the target for some reforms related to spending, inflation and privatization, very few of these reforms were actually put into practice and as a result the International Monetary Fund (IMF) discontinued the stand-by credit agreement with Nigeria. Hale also stated that political instability and corruption further hindered the development of the economy. The researcher then concluded that in order to accelerate the growth of its economy, Nigeria should reduce the level of oil dependency and concentrate on the development of other sectors like agriculture, energy, transport and manufacturing.

Another researcher, Obadina [6], also concluded that the country possesses great potential to prosper economically on the basis of its huge oil reserves. He also states though, that due to its management legacy the country still faces some major problems like inadequate infrastructure, high level corruption and inefficient deployment of resources. Oil, rather than be the blessing for the country it could be, has become a major source of debt. Due to fluctuations in the oil prices in the global oil market, there is a burden on the country as it has to pay a large amount for its import bills.

In another study, Rankin et al [7] observed that when there was boom in oil prices during the 1970s, the country committed the serious mistake of neglecting other sectors like agriculture, mining and micro, small and medium manufacturing. At that time the country was earning enough from crude oil exports that could have been used to develop other

sectors; and yet these other sectors were ignored because of dependence on this very income. There were also other factors that precipitated the decline of particular sectors. For example, from 1970 to 2005, many foreign countries expressed interest in the manufacturing businesses in Nigeria such as steel, wood, food, electronics, chemicals and vehicles sub-sectors among others. But due to regulations and other restrictions, need for capital and expertise, only a few companies were able to establish a significant presence in those sectors. However, a number of those foreign companies that were able to establish joint ventures with Nigerian companies were substantially large. As such, some sectors such as fuel refineries, electronics, chemicals and vehicles have seen a substantial foreign ownership and product output growth over the years as shown in Figure 1 while those of others declined, such as textile, wood and plastics. The main difference in the interests of the foreign firms in the industries came from legislation and restrictions to enter the market.

Onayemi [8] put forward that the economy of Nigeria is too dependent on oil and it is not progressing significantly due to inconsistency in macro economic policies for the growth of different sectors in the economy. When the government only works to safeguard the oil companies' interests, the price of oil does not remain at an affordable level and the manufacturers have to pay more for the energy resources they consume in the manufacturing process. When there is news about the discovery of more crude oil wells in the country, foreign investors start paying attention towards it, resulting in the rise of foreign direct investment (FDI) as well as the employment rate. In this way, the economy

of Nigeria is determined by oil production and oil prices. It is therefore evident that Nigeria remains highly dependent on oil, which accounts for 80% of its foreign exchange during the last four decades. This policy has proved to be quite harmful to the country because oil price fluctuation has a negative impact on the economy, causing a certain level of instability and uncertainty. The government neglected the non-oil sectors including manufacturing industry which has made Nigeria the least industrialized country in the region.

Eedes [9] studied the economic conditions of Nigeria and observed that since Nigeria is one of the least industrialized countries of the sub-Saharan African region, this resulted in some major weaknesses in the economic structure of the country. These varying levels of negligence contributed to the collapse of the country's basic infrastructure as well as its social services in 1980s. The fluctuation in oil prices further contributed to the economic instability of the country and poverty was widespread, especially in the rural areas [7].

Though the Nigerian manufacturing sector cannot support economic development in its present condition, it has great potential since Nigeria is one of the most attention-grabbing markets of the region by having about 140 million consumers and millions more consumers in the neighbouring countries [10]. The importance of the manufacturing sector is also realized from the fact that private consumption expenditures are significantly increasing in the country up to the rate of 15 to 20% per year. However, many problems are hindering the growth of the manufacturing sector in Nigeria and as a result the country is progressing very slowly towards economic diversification. Dipak and

Ata [11] summed up the economic scenario in Nigeria and the role of the manufacturing sector by identifying the main hurdles that mostly and historically affect its development and growth. These barriers include insecurity, political instability, market-distorting, state-owned monopolies, weak infrastructure and unavailability of finance while Adenikinju [12] added excessive bureaucracy and rampant corruption.

3. Historical performance of the Nigerian manufacturing sector

Adenikinju and Chete [13] conducted an empirical analysis of the performance of the Nigerian manufacturing sector over a 30-year period and observed that the sector was performing with satisfactory growth levels from 1970 to 1980. However, after that phase there was a sharp decline in the growth and profitability of the Nigerian manufacturing sector. Especially after 1983, the negative effects of the oil price collapse in the international oil market can be clearly seen on the sector's performance. Due to that global oil crisis, the revenues of the Nigerian government sharply declined which resulted in reduction in foreign exchange earnings. This in turn forced the government to take several initiatives with the intention of strictly controlling its trade. There were several import duties enacted in the form of import licences and tariffs, and some quantitative restrictions were also imposed on the importation of certain items. As a result, the manufacturing sector was badly affected because the manufacturers faced multiple problems when obtaining raw materials and spare parts for their products and processes. As a result of massive cutbacks in raw materials and spare parts, many of the country's industries were shut down and the capacity utilization in the manufacturing sector

declined. For example, between 1977 and 2007, the Nigerian bicycle manufacturing sub-sector recorded a systematic decline in capacity utilization by about a total of 485%; that is, from 948,000 units of bicycles in 1977 to 161,500 units of bicycles in 2007. Details are depicted in Figure 2. This disturbing trend was also observed by Adenikinju and Chete in most of the other manufacturing sub-sectors in the country [13].

Dipak and Ata stated that the effects of the trade restrictions resulting from the oil price crisis were clearly observed in the form of a 25% decline in the real output of the manufacturing sector from 1982 to 1986. Although the annual growth rate of the Nigerian manufacturing sector was 15% between 1977 and 1981, the government trade restriction measures resulted in the succeeding sharp decline in the growth rate of the sector [11]. The share of the manufacturing sector in the total GDP of the country also clearly declined during this era. In 1977 there was a 4% increase recorded in the manufacturing sector share in GDP and this reached the level of 13% in 1981, but after that it declined to less than 10% in just a few years. Dipak and Ata [11] and Adenikinju and Chete [13] concluded that the unavailability and inadequacy of the companies' access to the raw material and spare parts needed were among the major factors that contributed towards the decline in the growth rate of the manufacturing sector especially after 1981. Hence, the oil price shock is identified as the reason behind the policies that ultimately resulted in the decline of manufacturing sector's growth.

Adejugbe [14] examined the impact of the Nigerian trade policy on the manufacturing performance of Nigeria after the previously discussed observed decline. The researcher

studied manufacturing sector performance after 1985 and observed that some significant steps were taken by the Nigerian government in an attempt to make the Nigerian trade regime liberal, and also to promote manufacturing and import-export activities. The adaptation of a flexible exchange rate mechanism, along with the some trade liberalization policies, *brought some major changes to the scenario as these steps helped reduce tariffs and trade rates.* At the same time, duties on the importation of foreign goods were also raised, *especially of those competing with domestic products. In the same way there were also some steps taken to reduce import duties on many of the raw materials and spare parts that were used in the manufacturing sector, the factor pinpointed for the previous years' decline.* These steps were taken by the Nigerian government with the objective of providing the local manufacturing organizations with a sense of protection so that they could be motivated to become more productive and efficient.

Anyanwu [15], with findings similar to that of Adenikinju and Chete, pointed out that the collapse of the world oil market in the early 1980s and the prolonged economic recession resulting from this collapse contributed to the sharp fall in the foreign exchange earnings of Nigeria. This further led to a fall in the performance level of the manufacturing sector of the country. The introduction of the Structural Adjustment Programme (SAP) in 1985 was expected to bring an improvement to the situation, but unfortunately no notable improvement was observed. *As a result of the continuing low performance of the manufacturing sector, along with other important reasons, today Nigeria is among the more poverty-driven nations of the world [16].*

Ukaegbu [17] observes that conducting a complete analysis of the Nigerian manufacturing sector is a complex issue because there is a lack of adequate data about the productivity levels of the Nigerian economy. *In particular, there are little authentic data related to the productivity of the Nigerian manufacturing sector. However, some of the research studies conducted at different levels does give some viable information about the performance of the manufacturing sector of the country through the years [17]. For example, an ad-hoc study conducted in 1989 by Chete and Adenikinju [18] indicated that the overall productivity level of the Nigerian manufacturing sector over the years has seen very little increase and most of these companies have even faced a decline in productivity as well as profitability.* These findings were further confirmed by a report by the Manufacturers' Association of Nigeria (MAN) which revealed that there was a generally negative trend in the growth of the Nigerian manufacturing sector during the period of 1980-1989. *The report also stated that the expectations were low of observing any considerable improvement in the situation. The research studies conducted after that period confirmed this expectation, as they provided evidence that the trend of negative productivity continued and that neither was there an improvement in the profitability level of the sector well into the 1990s and 2000s [19].*

In 2000, Adenikinju and Alaba [20] conducted an empirical study which evaluated the Nigerian manufacturing sector's performance with regards to the relationship between productivity, performance and energy consumption within the manufacturing organizations. Utilizing an aggregate model, the researchers measured the changes in the

total factor productivity of the sector relative to the change in energy consumption. *The research concluded that efficiency and productivity of the Nigerian manufacturing organizations are indeed related to the energy supply and energy price. While the energy resources were found to play a critical role in the manufacturing sector though, it was also discovered that the energy source alone cannot effectively improve the performance of the manufacturing sector in Nigeria. An important point identified in the research was that the manufacturing sector is too wedded to using old technology and as such, there is a great need for the adoption of more advanced energy-efficient technological devices and techniques. For this reason, reforms concerning the prices of energy options alone do not significantly affect the performance of the sector because it is hindered by the need for improved technology and energy supplies. Thus, the reforms in the energy sector need to happen alongside technological reforms, otherwise the manufacturing organizations cannot entirely enjoy the advantages of the energy resources.*

Ayanwale [2] studied the effects of foreign direct investment on the performance of the Nigerian economy and manufacturing sector, and revealed that the country is striving to attract more foreign investors. *This is so that the operations and activities of the manufacturing sector can be supported by the revenue gained through these investments. However, available statistics of the Nigeria's manufacturing and macro-economics data does not paint a good picture of manufacturing contributions to GDP and national employment as shown in Table 1.* For example manufacturing contributions to GDP has been below 10% between 1990 and 2005, and the country's expectation that it will reach 15% by 2010, from the trend, seems almost impossible. Other manufacturing macro-

economics variables and their trends are also shown in the table.

Another vital point that Ayanwale's work brought to light is that while foreign investments in manufacturing could be beneficial to the economy, it is necessary that human resource issues are resolved as well so that the financial resources can be effectively utilized [2]. In a survey report for the United Nations Industrial Development Organization (UNIDO), Malik et al [21] discloses that for many years the Nigerian manufacturing sector has been working with mostly unskilled and unqualified labour. Actually, to date, the qualifications and skill level of the sector's workforce is still very low. This is an important issue as it directly affects the quality of the manufactured products in Nigeria. *As it turns out, the reason behind the employment of unskilled labour is the inability of the manufacturers to pay actual skilled labour well.*

Mazumdar and Mazaheri [16] argue that average wages are very low in most of the manufacturing firms in Africa as the owners settle for unskilled labour. *This is because highly skilled labourers come with high salaries that the firms cannot afford, thus, they keep on employing unskilled labour on low wages. So though there were employment opportunities in the manufacturing sector, they did not alleviate poverty levels; all while the quality and standard of the labour were stagnant.* The researchers suggested that the manufacturing companies must realize the importance of investing in skilled labour so that the manufacturing process can be run on updated methods. Also, the overall poverty level could be raised by the stimulation of paying good wages to skilled labourers [16].

Alli [10] reviewed the situation and stated that after going through several ups and downs, the final shape of the Nigerian manufacturing sector is mainly made up of a few players. These players are the multinational, national, regional and local manufacturers, investors, and companies. It was also disclosed that while the multinational companies are still operating and surviving in the country because of strong financial and resource support, the other operators have either disappeared from the scene or are struggling to survive in the manufacturing industry. This is because of the unpredictable policies and strategies implemented by the government, effects of globalization, and the lack of raw materials obtained locally for the manufacturing process. *As a result, the aforementioned players of the sector started diminishing from the scene, and the productivity and efficiency of the manufacturing sector were negatively affected.* At present, the capacity utilization in the sector remains lower than 35% [2]. This also provides evidence and reasons to conclude that the Nigerian manufacturing sector is inefficient.

The Nigerian Bureau of Public Enterprises itself identified some of these main barriers that affected, and continue to affect, the growth and development of the Nigerian manufacturing sector. Their reasons include high interest rates, unpredictable government policies, non-implementation of existing policies, ineffective regulatory agencies, infrastructural inadequacies, dumping of cheap products, unfair tariff regime, and low patronage [11]. On top of these, as mentioned, a skilled workforce and foreign investments are also in short supply.

In summary, the retrospective analysis of the manufacturing sector of Nigeria could serve as a lesson for other countries. It shows how the mismanagement of resources and the

negligence of an important sector can contribute to the low performance of the whole economy. In Nigeria, the government used to place sole emphasis on the oil sector and as a result the manufacturing sector failed to prosper. Now, even after the spike in oil prices, the country can only look towards a very insignificant contribution from the manufacturing sector caused by the inadequate policies and planning of the past.

4. Present situation

Alli [10] reviewed the more current performance of the Nigerian manufacturing sector by surveying the results of a study conducted in 2007 by the Manufacturers Association of Nigeria (MAN). *The report disclosed that during the last few years many of the manufacturing companies in the country have, as the past studies predicted, faced bad times. It was discovered that only a meagre percentage of manufacturing companies (10%) are operating at a sustainable level*, whereas as much as 60% are going to shut down or have already shut down after facing several series of financial and other kinds of crises. Many factors were identified by MAN to be the root cause of the problem. The reasons behind the low growth and performance of the Nigerian manufacturing sector during the last few years include “high production costs caused by energy, high interest and exchange rates, influx of inferior and substandard products from other nations, multiplicity of taxes and levies, poor sales partly as a result of low purchasing power of the consumers, bogged down with delay in clearing consignments due to existence of multiple inspection agencies at the ports, etc” [22].

However, according to Mazumdar and Mazaheri, despite this uncertainty in the business environment some Nigerian companies are successfully operating in the country and getting high returns on their investments through superior competitive performance [16]. The researchers analysed the strategies and management planning of two Nigerian firms that have achieved a high level of performance in the business sector. They then highlighted the main factors that contributed towards the success of these organisations. Some of these factors were the introduction of transparent management policies, proactiveness in competitive strategies, among others.

Dipak and Ata [11] argue that the main problems facing the Nigerian manufacturing sector are the ongoing advancements in technology, as these are taking the international manufacturing market towards higher levels of competition. When there is less protection for companies, these unprotected companies have to focus more and more towards the quality of their products and do so by increasing their expenditure on research and development. *In Nigeria however, the research and development work is not being done at a good enough level required for the constituents to even see a steady growth in the performance of manufacturing organizations. It becomes necessary then, for the Nigerian government and the private sector partners to intervene in order for the situation to improve.*

Malik et al [21] discloses, in a survey report administered *under UNIDO's Centre for Study of the African Economy, that the skills and technology usage levels in the Nigerian manufacturing sector are not very satisfying. Not only that, the report also revealed that*

the Nigerian manufacturing sector is not even open towards the usage and adoption of the new technologies and skills; thus stagnating and even negatively affecting the efficiency of the firms. The reason behind giving less importance to new technologies and skills is traced back to the deficiency of adequate investment in the sector. Only half of the companies that participated in the survey disclosed that they made investments in technology during the period under study, this alone shows the trend in technology investment in the sector. *The survey also divulged that the lack of financial facilities is exacerbated by the unwillingness of the investors to give their money to the manufacturing companies. When firms invest less in technology, they also invest less in the skilled labour needed for these; and with no other sources for capital for investment they are not in a position to remedy the situation. With barely any advanced machinery and techniques of production, the firms are rendered unable to compete in a larger scale. And as all of these issues continue to result in the low level of competitiveness of the Nigerian manufactured products, the overall efficiency and productivity of the sector will always remain on a lower scale [21].*

Ojowu [23], with his analysis of the situation of the Nigerian manufacturing sector, came to the point that capacity utilization is an important issue that must be properly addressed in all discussions and all measures to be taken in the future. The researcher argues that the sector is progressing very slowly due to low capacity utilization. Issues associated with capacity utilization such as capacity decline, capacity expansion and capacity mortality are *essential discussion points in the issue of bringing quality into the performance of the Nigerian manufacturing sector. On top of these issues, the burden of*

external debt is also affecting the sector's performance. The researcher also argues that the government is not giving enough attention towards the policies related to the manufacturing sector as compared to those of other sectors. To contend with Ojowu's last point though, reforms must also be applied to different sectors that are associated with the manufacturing sector and not just the manufacturing sector itself; as the high or low performance of one sector can affect the progress of the others. For example, if the government works to improve infrastructure then the manufacturing of products will also be improved.

Enebong [24] predicts that the level of the Nigerian manufacturing organizations' performance will continue to see a decline because as it is now, the manufacturers will have even more problems in accessing raw materials due to stiff competition from foreign firms. He theorizes that many of the policies implemented by the government in the late 1990s are still acting as barriers to manufacturing sector growth. Some of these policies include backward integration and the inward orientation strategies towards import substitution. The private sector also failed to play a significant role in the manufacturing industry; and there are certain reasons behind this such as import barriers, tariffs, licenses and other policies that resulted in raw materials unavailability.

Alli [10] however, points out that the government plays a very important role in the entire scenario of bringing improvements into the Nigerian manufacturing sector. The researcher observed some positive signs from the present Nigerian government and identified some of the major strategies that are being adopted with the intention of

improving manufacturing sector performance. *According to Alli [10], the government has realized that the manufacturing sector can act as the backbone of the economy and as it progresses in a positive direction, the country will consequently grow and prosper also. In this regard, the government has decided to make sure that the manufacturing sector will receive access to the domestic, regional and international markets. This is of course after adding value to the companies' products; and for this, the sector will need to take advantage of the country's oil and gas sector. The Nigerian government also seeks to apply the Public Private Partnership (PPP), wherein the government will invest in the development of infrastructure and will become a facilitator to the manufacturing sector. In effect, the manufacturing industry will gain great advantages from the improved infrastructure and the private sector will also be encouraged to invest in different productive manufacturing industries. Moreover, the government is also considering the cluster concept suitable for the economic condition of the country, keeping in view the geographical proximity and other ground realities.*

5. Problems and limitations

The performance of the Nigerian manufacturing sector over the last four decades shows that there are some important problems that acted, and are still acting, as barriers to the growth of this sector. Researchers have also argued that some basic limitations are impeding the growth and development of the sector, even despite past studies and proposed solutions. In order to identify these core challenges, many of the researchers have conducted studies of the past and present conditions of the manufacturing industry of Nigeria. These researchers have conducted different quantitative and qualitative

studies during different periods and have identified certain important limiting issues to aforementioned solutions.

Bigsten and Soderbom [25] conducted a study which investigated the main challenges confronting the manufacturing firms using ten selected variables as shown in Graph 3. From the graph, it is clear that the first perceived variable retarding manufacturing firms is physical infrastructure problems (98%) followed by stiff competition from Asian products (90%) and then inappropriate technology (71%) and so on as illustrated in Figure 3.

One other approach to identifying the causes of manufacturing failure in Africa is to classify them according to external and internal sources, as illustrated in Table 2. Indeed, when reviewing the above values, there is no general consensus in terms of the variables for forecasting either failure or success; although capital, appropriate technology and experience are featured more frequently.

Ayeni [26] identified the core problems surrounding the Nigerian manufacturing establishments after he analysed their pattern of growth. *The researcher pointed out that the establishments are lagging behind in attaining sustainable growth because most of the time, their operators and the Nigerian authorities reacted to market situation by formulating short-term policies and strategies. The researcher pointed out an important flaw in the economic policies of the country by arguing that there is less attention given to satisfying the needs of the domestic consumers, thus the demands for locally*

manufacturing products and goods remain low. In addition to Ayeni's findings, the acute shortage of infrastructure can also be identified as a factor that frequently hinders the manufacturing growth because organisations and agencies related to the provision of different infrastructures often failed to adequately deliver. This affects the flow of work in the manufacturing sector. At the same time the manufacturers and the investors also need motivation and encouragement so that the investors can become open towards investing in the different manufacturing firms. *Ultimately this would lead to the manufacturing companies obtaining access to the finances needed not only to keep their manufacturing operations afloat, but to run more effectively.*

Alos [27] analysed the business environment of Nigeria and observed that the performance of the manufacturing sector has been very uncertain, even nearly chaotic, for many years. The researcher also pointed out another important barrier that exists in the Nigerian manufacturing sector, and that is the low rate of capital utilization; not unlike the conclusion put forth by Ojowu [23]. He observed that in the manufacturing sector there is gross underutilization of resources and only 30% to 40% of the capital is being utilized in this sector due to "frequent power outages, lack of funds to procure inputs, fall in demand for manufactured goods and frequent strikes and lockouts by workers and their employers" [27].

Okejiri [28] revealed that one of the largest constraints for the high productivity of the Nigeria's manufacturing sector is, again, the low level of technology; as advancements in technology are changing the manufacturing sectors of countries all over the world.

Developing countries are rapidly adopting new technologies so that they can secure higher productivity and revolutionize their manufacturing industry. Unfortunately, the Nigerian manufacturing companies are still not focusing enough on acquiring modern machinery and as mentioned, up to now they are still using the same methods and machinery that were introduced as far back as the 1960s and 1970s [29]. It is this stagnant, almost stubborn, mindset that greatly limits this solution for the future growth of the sector.

Meagher [30] meanwhile viewed the problem of Nigerian manufacturing sector from the perspective of inadequate academic research and development support from the Nigerian universities and other like institutions. He recommended that the Nigerian research institutions should be adequately funded by the Nigerian government and public, private, and even multinational organizations. This is so that these institutions will engage in purposeful researches that will help revive the decaying manufacturing sector. These institutions may also be essential in preparing for the challenges of new oil discoveries; especially in the deep platform areas and in the northern part of the country where initial studies conducted by foreign oil companies have shown the possibility of the presence of oil. On the part of the manufacturing firms, the researcher also concluded that they must set up or upgrade their research and development departments so that new technologies and new raw local raw materials are discovered, tested and used.

A study conducted by Havrylyshyn [31] pointed out some of the other major problems that act as barriers to high quality growth and performance in the Nigerian manufacturing

sector. The researcher concluded that while the government of Nigeria has shown its willingness to promote and support the growth of the manufacturing sector, despite the measures they have taken there is a long way to go for the manufacturers to progress in an efficient manner. According to the researcher's findings, investors in the manufacturing sector often lack a business-friendly environment. This environment is due to the legacy of the past misguided trade-related government policies that caused negative impact on investment-related operations; damage that cannot be easily repaired.

In this same vein, Adenikinju [13] blamed the government for the current inefficient performance of the Nigerian manufacturing sector. The researcher claimed that the increased interference of the government in different issues related to the manufacturing industry minimized the role of the private sector due and as such, the contribution of the private manufacturers seems to be very low in terms of manufacturing output.

Nishimizu and Robinson [32] observed that the Nigerian manufacturing sector has been in great need of reform for many years as the sector has been unable to support the economy of the country due to its many problems. For example, the manufacturing sector strongly feels the need for private sector friendly policies so that the entire manufacturing process can be boosted to a private sector level, and so that there could be better capacity utilization in the sector. The researchers also pointed out that there is a great need for many reforms in the sectors related to manufacturing, such as the power sector. As mentioned, when the power sector starts to progress effectively then the manufacturing sector will also perform well with the support of a reliable power supply. In the same way

the infrastructure also requires improvement including the railways, roads and other communication systems. *Although the government has put forth reforms regarding these issues and those put forth above by Havrylyshyn and Adenikinju, it is not until they are fully implemented that progress will be underway for the manufacturing sector, and even then time is needed for adjustment and stabilization.*

Talabi [33] argued that the problems associated with the dismal performance of the Nigerian manufacturing originations are the by-products of policies and strategies that have been in practice for many years. *To resolve these challenges, the government must focus upon the formulation of an equipment-leasing law that will work to improve the weak infrastructure of the country. If this is implemented, in turn the manufacturers will be encouraged to manufacture high quality products.* It is also vital that there must be good management of funds and donations in a proper manner to assist manufacturing activities. Many of the funds and finance facilities provided by international and regional financial and trading institutions like the World Bank and the African Development Bank (ADB) are highly mismanaged at a national level; as a result, the fruits of the funds do not reach the manufacturing sector [11]. If the government succeeds in providing the funds to the manufacturers, and if the manufacturers will make positive use of the funds, then the manufacturing industry of Nigeria can progress and make its presence valuable at the regional and international level.

6. Conclusions

The above literature review has presented a detailed account of information related to the past and present performance of the Nigerian manufacturing sector. It is revealed that the economy of Nigeria depends heavily upon the oil sector and fluctuations in oil prices in the global market have contributed towards the economic instability of the country. The present government of Nigeria is though, is slowly aiming to diversify its economy towards the non-oil sector. At present, the growth and performance of the Nigerian manufacturing sector is found to be in great need of reforms and improvement because the share of manufacturing sector in the country's GDP is just at 5% which is very low. *It is explained that there is a great need to increase the contribution of Nigerian manufacturing organizations in the economic growth of the country* and it has great potential to do just that if reforms are handled correctly. For this happen though, the government of Nigeria is also required to come up with support policies that will encourage and promote this and more private sector participation.

There are some problems highlighted in the review that continue to pull down the Nigerian manufacturing businesses that are difficult to address locally; as the sector is facing great challenges due to globalization and high competition. Though within the country, issues of human resource management, technology adoptability, cost competitiveness and availability of skilled and qualified labour are some of the common challenges hindering the progress of the sector. The Nigerian government appeared initially unaware of these challenges because it was only in the past few years that they increased the importance of manufacturing sector. The role of the government is important in increasing the industrialization Nigeria, and the government even benefits

from doing so because improving the sectors of the country will help it grow and prosper.

The paper also identified some gaps in the literature. Most of the past research studies evaluated the performance of the Nigerian manufacturing sector within the boundaries of trade liberalization or technological adoptability. For example, there appears to be little to no presence of studies that have compared the performance of the Nigerian manufacturing sector with that of other developing countries. Also, the past researchers have only identified a few strategies that are successfully being utilized by developing countries, as these can be applied to improve the Nigerian manufacturing sector. Although raising the level of research and development was cited by many researchers as a possible improvement strategy, there may be other cues that Nigeria can take from other developing countries. This gap in the literature should be filled in by future researches. The resulting detailed account of strategies and policies can be adopted by Nigeria to attain high quality performance of the manufacturing industry. It is also suggested that Nigerian research institutions should be well supported by the government and other public and private companies in order to conduct the researches needed to finally arrest the declining trend in the Nigerian manufacturing sector.

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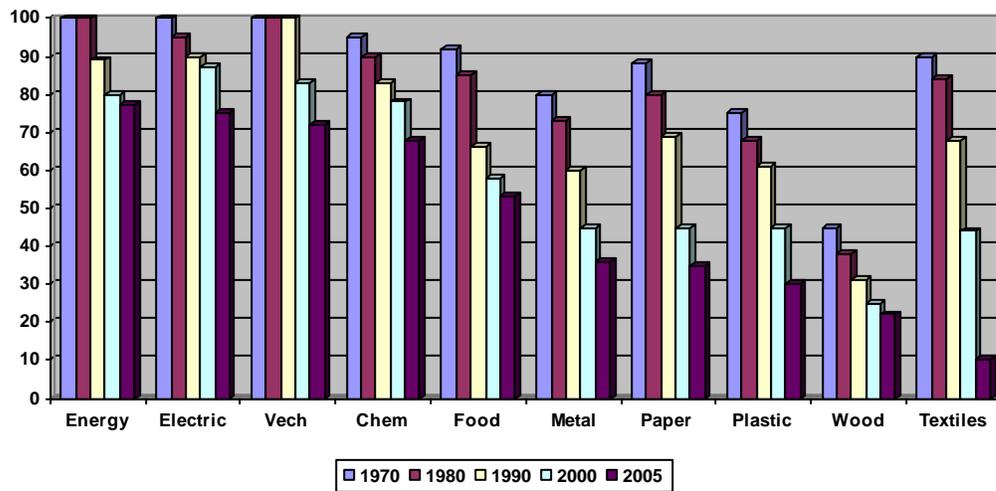


Figure 1: Percentages of Share of Output of Foreign Owned Manufacturing Firms in Nigeria].

[Source: Constructed from Data of Manufacturers Association of Nigeria (MAN) 2008]

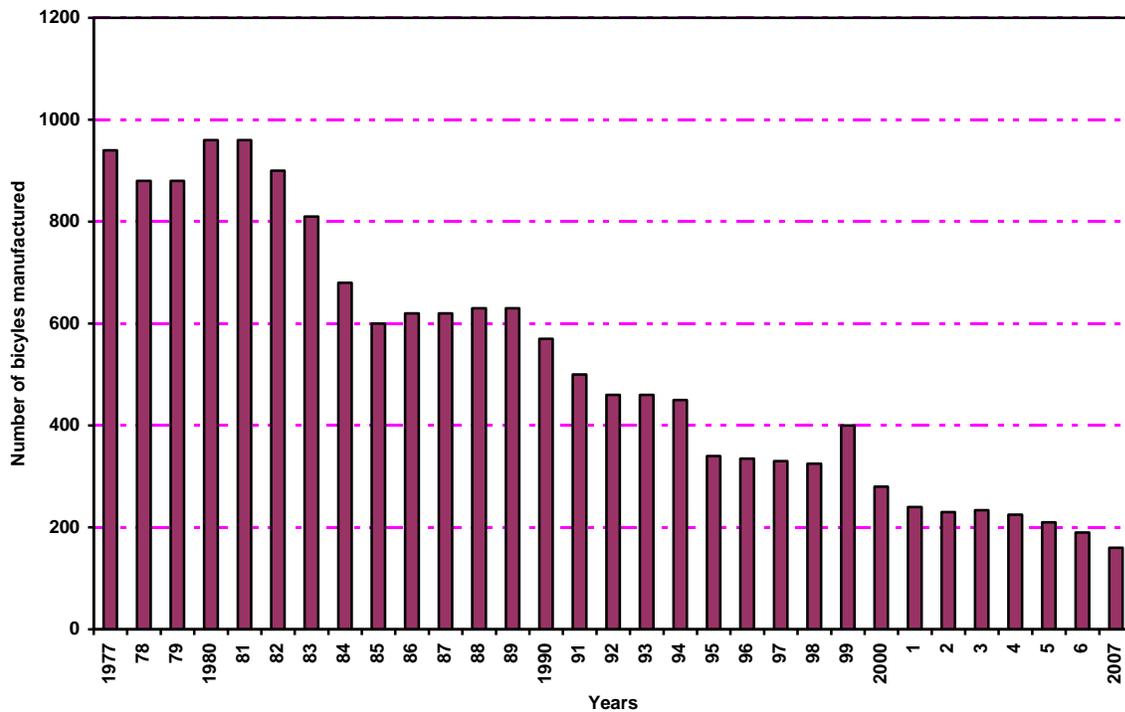


Figure 2: Capacity Utilization in Nigerian Manufacturing Sector (1977- 2007): Number of Bicycles Produced Per Annum in Thousands.

[Source: Constructed from BI-MAN of Manufacturers Association of Nigeria (MAN) 2008].

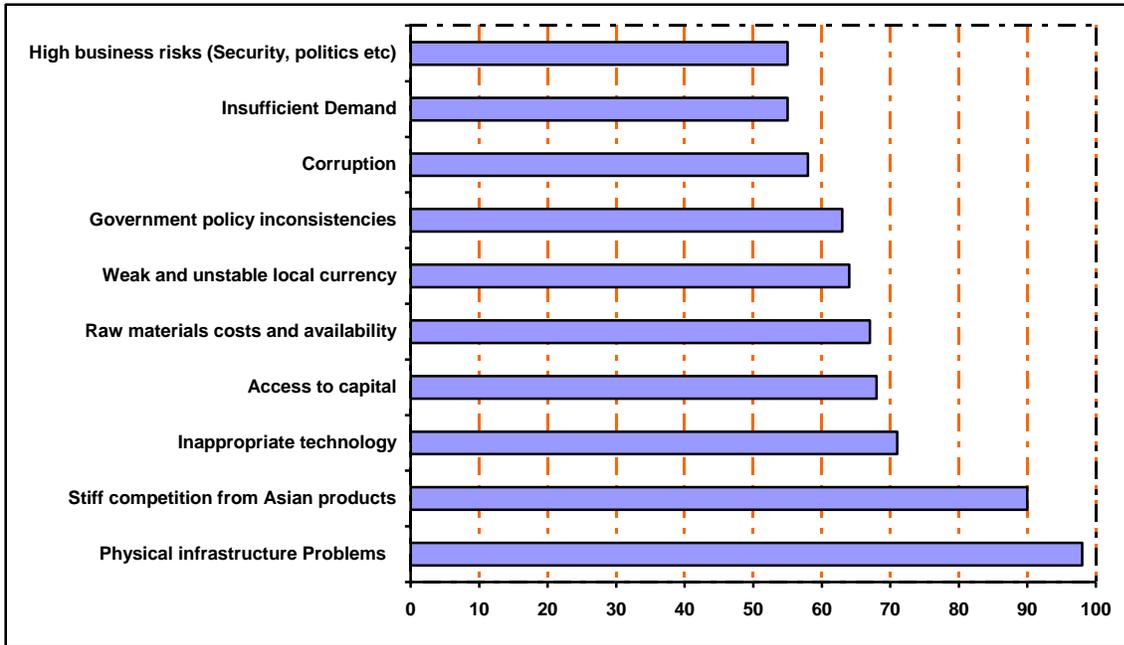


Figure 3: Perceived Main Problems Facing the Nigerian Manufacturing Sector as at 2006

[Source: Bigsten, A and Soderbom, M., (2006)]

Table 1: Manufacturing and Macro-Economic Data and Forecasts for Nigeria

	1999	2000	2001	2002	2003	2004	2005	2010
Manufacturing Contri to GDP (%)	6.9	6.7	6.5	6.5	6.4	6.2	5.5	15
Share of workforce in Manufac (%)	7.5	7.4	7.4	7.3	7.2	6.8	6.8	20
Industrial Prod. Index % Change	-3.83	3.46	0.36	2.91	2.83	-0.17	4.43	5.00
GDP Growth %	0.30	1.50	5.40	3.00	3.50	10.20	5.50	5.60
Fixed Capital Formation % Change	-7.14	1.20	5.74	2.76	0.82	3.47	3.66	3.88
Govt Consumption % Change	24.57	1.48	5.63	2.68	0.77	3.46	3.63	3.77
GDP Per Capita US\$	1089.6	290.3	379.8	394.7	370.2	356.9	413.6	479.8
Inflation (CPI) %	10.32	4.76	14.52	12.96	12.88	14.03	15.72	12.82
Policy Interest Rate %	13.50	12.80	13.00	13.50	13.50	13.00	13.06	13.00
Long Term Interest Rate %	18.18	20.29	21.27	23.44	24.77	20.71	19.18	16.15
Budget Balance % GDP	-4.63	-4.51	-3.24	-3.07	-3.03	-2.96	-2.57	-2.35
Population in millions	120.8	123.9	126.9	129.8	132.8	135.6	138.7	161.8
Population Growth %	2.67	2.55	2.43	2.34	2.24	2.14	2.27	2.34
Current Account Balance US\$bn	-4.24	0.51	8.31	3.83	2.62	5.07	2.54	6.37
Current Account Balance % GDP	-3.22	1.41	17.24	7.48	5.33	10.48	4.42	9.35

(Source: UNCTAD World Investment Report, 2006)

