Research on Humanities and Social Sciences www.iiste.org
ISSN (Paper)2224-5766 ISSN (Online)2225-0484 (Online)
Vol.4, No.21, 2014

The Impacts of Industrial Policies on the Manufacturing Sector in Nigeria: An Assessment

Nyor, Gabriel Aza
Department of Political Science, Nigeria Police Academy, Wudil, Kano, Nigeria
gabrooh@yahoo.com and assitantlecturer@gmail.com

Chinge, Ayuba Dodo
Department of Political Science, Nigeria Police Academy, Wudil, Kano, Nigeria
chingejustice@gmail.com

ABSTRACT
Industrialization is seen by everybody as a child of necessity in a nation's economy as it accelerates the process of economic growth and development stupendously. This makes industrial sector very important such that its neglect by any government makes it unsuccessful. This is why the fortune of every economy lays in itself the strength of the industrial sector, which makes it the heartbeat of economic development. Put differently, the main rationale of industrial policy is to accelerate the pace of industrial development by radically increasing value added at the value-chain. Two positions emerged regarding the status of the Nigeria's industrial sector. The first position held that Nigeria has not been able to make an appreciable progress in industrial development due to policy failure. Different governments since independence have tried different approaches but have failed. From import-substitution industrial policy of the 1960s to the Small and Medium Industries Investment Scheme (SMIEIS 2000) have not repositioned the sector. The opposite position looked at the sector as recommendable. It is on this basis looking at the importance of industrial policy to development with the note on the divergent views that this article seeks to assess the impacts of industrial policies on the manufacturing sector and how this has a reflection on GDP and development of the country. The work being exploratory in nature fashions a methodology that data collections will basically from the secondary sources after which it will be analysed base on the level of poverty and GDP in Nigeria.
KEY WORDS: Industrial; Policies; Manufacturing Sector; Economic Development; and Economic Growth.

INTRODUCTION

There are a number of issues on which there is no consensus among the notions, some of these issues relate to industrial policy. Industrial policy therefore may be seen as a guide to governmental intervention to selectively promote certain manufacturing sectors with the aim of encouraging a country to defy its comparative advantage and develop its manufacturing sector. Some of these differing views bear on behavior of socioeconomic systems, and their corresponding normative statements shape the debate on the pedigree of industrial policy. One of the main areas of disagreement is the degree of efficiency in production systems. One assumption emerged that markets operate under conditions of perfect competition, which means that there are no barriers to entry; agents are price takers; there is perfect information, etc. A simple glance at how economies function shows the fallacy of these assumptions. This thought does not reflect the real world. Actually, there are substantial differences in the degree of efficiency between economic sectors and activities in almost all the countries because of one reason or the other. These disagreements affect the discussion of whether industrial policy is necessary or not, a debate in which there are three basic positions. From the free-market or laissez-faire point of view that inspired a good deal of the policies known as the Washington Consensus (Williamson, 1990), the "invisible hand" of the market automatically selects sectors and firms, guaranteeing the efficient allocation of the factors of production (capital and labor). In this view there is no need for industrial policy it distorts market mechanisms, and hence provides less than optimal allocation of the factors of production. Another framework advocates for a minimalist State intervention, as Friedman (1962) maintains, market cannot do everything, state should only do what the market cannot do by itself: "namely, to determine, arbitrate and enforce the rules of the game."

Mercantilism (structuralism) a position prevailed in Europe during the 16th, 17th, and 18th centuries, under which governmental control was exercised over industry and trade in accordance with notion that national strength is increased by a preponderance of exports over imports. It central idea is that economic activities are and should be the subordinate to the goal of state building and the interest of the state regarding industrialization (Sen 1984). In the first place they believe that industry has spillover effects (externalities) throughout the economy and leads to its overall development. Secondly, they associate the possession of industry with self-sufficiency. This is why import-substitution policy of 1960 was pursued by Nigeria and other newly independent states in mostly Latin-America and Africa which was later abandon in few years.

It is important to note that a glance at industrial policies in Nigeria cut across these three positions. This is why in finding out the impacts of industrial policies on the manufacturing sector in Nigeria; two of these positions: mercantilism and liberalism serve as theoretical frame work of the paper with the main objective of finding out whether through the policies, the manufacturing sector has adequately contributed to the GDP of Nigeria in particular and development in general.

THEORETICAL FRAMEWORK AND LITERATURE REVIEW.

This study is predicated on two positions: Mercantilism and liberalism following the nature of the policies formulated and implemented by different regimes in the selected periods in Nigeria. The central idea of mercantilism is that economic activities are and should be the subordinate to the goal of state building and the interest of the state. This is why import-substitution policy of 1960 was pursued to lessen dependence on foreign trade. One thing of important with mercantilism is the fact that its advocates have differed in different times and in different places.

From the foregoing, the fundamental objective of mercantilism (nationalist; structuralism or protectionalism) is industrialization (Sen 1984). This is why in first place they believe that industry has spillover effects (externalities) throughout the economy and leads to its overall development. Secondly, they associate the possession of industry with self-sufficiency. This is why, the mercantilist theorist of American economic development, Alexander Hamilton wrote ‘not only the wealth but the independence and security of the country appear to be materially connected to the prosperity of manufacturers (quoted in Rostow, 1971, p189). The position here is that, government should always make policies to regulate the operation of the industry because it is the commanding height of the state.

Liberal perspective serves as a contrary position to mercantilism. This position is embodied in the discipline of economics as it has developed in Great Britain, the United States and Western Europe. From Adam Smith doctrine and to the contemporary, the proponents share the same belief about human beings, society, and economic activities. Liberalism according to Gilpin (1987) is a doctrine and set of principles for organizing and managing a market economy in order to achieve maximum efficiency, economic growth and individual welfare. This theory assumes that a market arises spontaneously in order to satisfy human needs and that, once it is in operation, it functions in accordance with its own internal logic. According to the theory, human beings are by nature economic animals, and therefore markets evolve naturally without central direction. As Adam Smith put it, it is inherent in mankind to ‘truck barter and exchange. To facilitate exchange and improve their well being, people create markets, money, and economic institutions. The rationale for market system is to increase economic efficiency, maximizes economic growth, and thereby improves human welfare. This argument we believe was the philosophy behind the introduction of SAP in Nigeria in 1986.It is pertinent to say that the liberals ultimately defend the free trade and open market on the basis that they help in increasing the range of goods and services available to the consumer. They also assume that a market exist in which individuals have complete information and are thus enabled to select the most beneficial course of action. In this circumstance, individual producers and consumers will be highly responsive to the price signals, and this will create a flexible economy in which any change in relative prices will elicit a corresponding change in pattern of production, consumption, and economic institution (Davis and North, 1971). They suggest that rational, self-interested actors competing freely in the marketplace will produce the greatest good and this government intervene in the market through policies rather, state should only do what the market cannot do by itself: “namely, to determine, arbitrate and enforce the rules of the game.

These positions are extreme views, and have influenced formulation and implementation of industrial policies in Nigeria in one way of the other. It is sufficient to say that these positions have their drawbacks, however this paper will be silent on this but with the hope of seeing whether their philosophical connections to industrial policy formulation and implementation in Nigeria has assisted the manufacturing sector recital adequately**.**

The existing literature defines industrial policy in different ways, emphasizing various aspects of State intervention in support of industrialization. Reich (1982), who was a great defender of industrial policy in the United States, defined industrial policy as the set of governmental actions designed to support industries that have major export potential and job-creation capacity, as well as the potential to directly support the production of infrastructure. Pack (2000) looks at industrial policy as actions designed to target specific sectors to increase their productivity and their relative importance within the manufacturing sector. In the same vein, Amsden (1989), Chang (2002), Lin and Chang (2009) defined industrial policy as a guide to government intervention to selectively promote certain manufacturing sectors with the aim of encouraging a country to defy its comparative advantage and develop it**s** manufacturing sector. Johnson (1984) defines industrial policy in a narrow sense, as those “government activities that aim to support the development of certain industries in a national economy to maintain international competitiveness”.. Chang (1994) describes industrial policies as governmental actions supporting the generation of production and technological capacity in industries considered strategic for national development. Landesmann (1992) makes an original contribution to the definition by underlining the selective component of industrial policy. So, an industrial policy is one that discriminates and selects among industries, sectors and agents, and it is designed specifically for each chosen industry and sector within a given national territory. This implies that the discrimination among activities, sectors and agents is based on their potential to boost the overall economy. This approach frames the broader discussion of industrial policy in terms of the qualitative differences among economic activities (since not all sectors are equal in their ability to generate growth) and in terms of the impact of industrialization on the path of development, Pinder (1982) argument suggests a broader definition to all policies that are designed to support industry. Accordingly, the industrial policy hinges on fiscal and monetary incentives for investment, direct public investment and public procurement programs, incentives for investment in research and development, major programs for the creation of "national champions" in strategic sectors, and policies to support small and medium enterprises. This definition includes direct support for the creation and improvement of physical infrastructure and social infrastructure (institutions), trade policy, competition policy and measures to prevent the formation of cartels, and programs to directly support labor-intensive industrial activities.

In industrial policy, as in other policy areas, the State might play different roles. There are four main types of State interventions in support of industrial development with a glance from such policies in Nigeria. (i) As regulator, e.g., by setting tariffs and production levels for certain activities, or by creating fiscal incentives or subsidies to support industrial sectors. (ii) As producer, participating directly in economic activity, as in the case of State-owned enterprises. (iii) As consumer, ensuring a market for strategic industries and economic activities through public procurement programs.4 (iv) Finally, as a financial agent and investor, influencing the credit market and promoting the allocation of public and private financial resources to industrial projects considered strategic because of their impact on productivity, or because of their capacity to absorb labor.

AN OVERVIEW OF SOME SELECTED INDUSTRIAL POLICIES, AIMS AND OBJECTIVES IN NIGERIA

As this paper recognizes industrial sector as the heartbeat of economic development and a child of necessity, Nigeria immediately after independence considered it wise to reposition the sector for economic development through policies. Hence the importance and relevance of industrialization cannot be overemphasized there is every need for us to unmask and explain lucidly the various industrial policies and strategies embarked upon by Nigeria.

IMPORT-SUBSTITUTION INDUSTRIALISATION POLICY (ISI, 1960's).

This policy was the first industrial strategy embarked upon by Nigerian Government immediately after independence (Oyedele, 2009). The adoption of this policy was concerned at reducing the burden on the exchange rate and giving Nigerians advantage of consuming foreign goods locally made. This is why the policy had some of the following aims and objectives:

- To lessen overdependence on foreign trade;
- To save foreign exchange by producing those items that were formally exported;
- Create tempo for industrialization in Nigeria by bringing foreign technology home;
- To empower Nigerian business men and women;
- To accelerate the pace of development through an increased GDP of the Country; and
- Create employment opportunities in the country through industrial sector.

The policy however could not be sustained due to both internal and external forces like political crisis in the country; change of government; corruption; effects of globalization etc (Duru, 2012). He contended further that, prior to Nigeria's independence in 1960; the Nigerian economy was predominantly agrarian both in production of domestic consumption and exports. In this like, industrialization was not part of the colonial economic policy, rather concerned about the production of primary raw materials for home industries.

The first task to the indigenous administration after independence in 1960 was the transformation of the country into a modern industrial economy. This was why the policy was pursued behind protective barriers; however the policy was substituted in 1970s.

THE NIGERIAN INDIGENISATION POLICY (1972)

The inability of import- substitution policy to achieve its requisites occasioned by many factors made the government to strengthen the Nigerian economy through indigenization policy which had the following aims and objectives:

- To transfer ownership and control to Nigerians in respect of those enterprises formally wholly or mainly owned and controlled by foreigners;
- Fostering widespread ownership of enterprises among Nigerian citizens;
- The creation of opportunities for Nigeria indigenous businessmen; and

- The encouragement of foreign businessmen and investors to move from the unsophisticated area of the economy to the areas where large investment is more needed (Oyedele, 2009).

THE NIGERIAN INDIGENIZATION POLICY (1977).

The Indigenization Act of 1972 which targeted at giving Nigerians ownership in principle was amended, repealed and replaced by the Nigeria Enterprises Promotion Act in 1977. This Act gave birth to Indigenization policy of 1977. The 1972 Act contained II schedules, while the 1977 contained III schedules. Schedule I of 1977 contained 40 enterprises, schedule II contained 57 enterprises and schedule III contained 39. In 1981 to be precise, the number of Enterprises in each schedule was revised .By this, schedule I had 36 Enterprises, schedule II, 576 Enterprises and schedule III, 456 Enterprises respectively.

STRUCTURAL ADJUSTMENT PROGRAMME (SAP 1986)

This policy came in order to right-wrong the weaknesses of and ineffectiveness of the earlier industrial policies accordingly. According to the policy its aims and objectives included:

- To promote investment;
- To stimulate non-oil exports and providing a bases for private sector led development;
- To promote efficiency of the Nigeria's industrial sector;
- Privatization and commercialization of the economy towards the promotion of industrial efficiency; and
- To develop and utilize local technology by encouraging accelerated development and use of local raw materials and intermediate inputs rather than depend on imported ones

The aims and objectives were sound and elaborate which shall be seen in the next section to find out whether it aided industrial development or not.

TRADE AND FINANCIAL LIBERALISATION POLICY (1989).

This policy was a follow up of structural adjustment programme. It was an industrial policy embarked upon to foster competition and efficiency in the financial sector with the following aims and objectives:

- ✓ To foster competition among the domestic firms and between domestic import-competing firms and foreign firms with view to promote efficiency;
- ✓ Reduction of levels of both tariff and non tariff barriers;
- ✓ Scraping of commodity marketing boards; and
- ✓ Making determination of exchange rate as well as deregulation of interest rate meant to foster efficiency and productivity (Adeoye, 2004).

BANK OF INDUSTRY (BOI, 2000).

The failure of the above policies saw in 2000 the introduction of Bank for Industry as an institution to accelerate industrial development through the provision of term loans, equity finances and technical assistance to industrial enterprises. The bank has the combination of the following institutions: Nigeria Industrial Development Bank (NDB); Nigerian Bank for Commerce and Industry (NBCI); Industrial and Insurance Brokers (IDIB); and Leasing Company of Nigeria (LECON).

Other aims and objectives of the Bank included:

- Making a considerable impact in terms of long term loans;
- To assist in employment generation;
- Industrial dispersal and promotion of indigenous- entrepreneurship.

SMALL AND MEDIUM INDUSTRIES EQUITY INVESTMENT SCHEME (SMIEIS, 2000)

The main rationale of industrial policy we know is to accelerate industrial development by radically increasing value-added at the value chain (Duru, 2002). This paper feels the reason of the change of the policies may come from the inadequacies of the policy to bring about the expected result. This was why SMIEIS in 2000 was introduced to correct the failures. The policy meant in coordinating the scheme with a guideline that 60% of the SMIEIS fund should be used for core real sector, 30% to services, and 10% to micro enterprises through NGOs. The objectives of the SMIEIS were as follow:

Increasing per capita income/ output and initiating/ constituting changes in the structure of business and the society through growth, increased output and employment opportunities; enhancement of regional/ economic balance through industrial diffusion; moderating rural/urban migration; easily adapted to local technology; and promotion of effective resources utilization.

Suffice it to say that the prime aims and objectives of all the discussed policies all meant to ensure rapid expansion and diversification of the industrial sector, increase income realized from industrial activities, create more employment opportunities, promote even development and fair distribution of industries in all parts of the country etc. In pursuance of these objectives, governments experimented the policies with a number of incentives aimed at positively influencing the sector. These included: tax holiday; tariff protection; import duty relief; reduction of excise duty; Duty Drawback Scheme; total ban on certain Foreign Goods; provision of supportive activities; provision of loans provision of accelerated depreciation allowances, direct Government participation approved user Scheme; export incentives etc (Oyedele, 2009).

AN ASSESSMENT OF INDUSTRIAL POLICIES IN NIGERIA AND THEIR IMPACTS ON MANUFACTURING SECTOR AND ECONOMIC DEVELOPMENT.

Having gone through some industrial policies, it is pertinent to make an assessment to see its spillover effects on the manufacturing sector as it contributes to GDP and development in Nigeria. In view of this however, Duru (2000) held that, Nigeria has not been able to make an appreciable progress in industrial development due to policy failure. This is why from the import-substitution industrial policy of the 1960s to the Small and Medium Industries Investment Scheme (SMIEIS 2000) have not repositioned the sector for its contribution meaningfully to GDP in particular and development of Nigeria in general. These failures accordingly emerge and reemerge from policy formulation, implementation and precisely lack of continuation.

Suffice to say that, prior to Nigeria's independence in 1960, the Nigerian economy was predominantly agrarian, both in the production for domestic consumption and exports as industrialization was not part of the British colonial economic policy rather, to make the colony producer of primary raw material and consumers of imported manufactured goods. Besides, the construction of roads, collection of taxes and maintenance of law and order to aid trade, no particular industrial policy was initiated by the erstwhile colonial administration to promote industrial development in the country. Early manufacturing activities predating independence were limited to the semi-processing of agricultural products as complementary to the trading activities of foreign companies (Duru, 2012). The first task the new indigenous administration had after attaining political independence in 1960 was the transformation of the country into a modern industrial economy and for this, import substitution industrialization policy was employed behind protective barriers. This strategy entails manufacturing local goods that were previously imported into the country by the colonial companies. One of the major factors for the lackluster performance of the policy was that the structure of tariff protection (low tariff on imported inputs and high tariff on imported finished products) encouraged the concentration on light consumer goods and has at the same time contributed to the inefficiency in the industrial sector and the inability of most domestically manufactured products to be competitive. The other problem of the policy was that the sector had no existing structures to perform the expected functions at the time in question. As a result of the type of industrial policy the country adopted, the manufacturing sector was characterized by industries with low value added which have little intra and inter- sect oral linkages. Today there is no linkage among the sectors of the economy, rather giving the economy mono-cultural status as a petro-dollar economy. Another issue was inputs structure which was highly importing intensive. This succeeded in creating balance of payment problem and lack of patronage of local raw materials which made most of the Nigerian industry assemblies that put finishing touches from imported inputs up till date. With this bad beginning, today the manufacturing sector is total failure for its lackluster performance over the years.

The manufacturing sector is a child of misfortune through industrial policies. Structural Adjustment Programme (SAP) had the aims of promoting investment; stimulate non-oil exports and providing a base for private sector led development; promote efficiency of the Nigeria's industrial sector; Privatization and commercialization of the economy towards the promotion of industrial efficiency; and to develop and utilize local technology by encouraging accelerated development and use of local raw materials and intermediate inputs rather than depend on imported inputs (Oyedele, 2009). SAP in summary, had the aim of diversifying the productive base of the economy and eliminating the observed structural distortion, the most significant overvalued currency (Onwioduokit and Nwachukwu, 1998). This culminated in the establishment of the auction system in 1986 as a mechanism through which the real value of naira would be determined in which Second Tier Foreign Exchange Market (SFEM) was established. What is important at this point is the fact that the operation of SFEM led to a huge devaluation of naira such that from an exchange rate of N1.55/35 to dollar on 25th September 1986 the naira depreciated by 71.00% to N5.35/30 = \$1:00 at the last bidding session held in December 1988. In 1993, the average official exchange rate stood at about N22.40/84=\$1:00. However, between the first foreign exchange auction in September, 1986 and December, 1994, the exchange rate depreciated by about 93.0% (Onwioduokit and Nwachukwu, 1998). The depreciation of naira heightened the cost of production and deepened the sectoral alexia. Today \$1:00 is exchanged for more than N150:00 thus causing imbalance of payments at the long-run in Nigeria. With this we can say that the industry policies are only cankerworms of the manufacturing sector.

As said from onset as contended by Adeoye (2005) that industrialization has been a veritable channel of attaining the lofty and development and improvement of quality of life. And in the same manner, the government of Nigeria had once a time maintained that ''the main instrument of rapid growth, the structural change and self sufficiency lies in the manufacturing sector'' (Egbon, 1995). This is because, it involves deliberate and application of suitable and combined technology, management techniques and other resources to move the economy from the traditional low level of production to a more robotic and proficient system of mass production of goods and services (Ayodele and Falokum, 2003).

In view of the above however, Oyedele (2009) sees it differently that Nigeria has benefited nothing positive from her industrialization policy. Supporting this view, Duru (2012) held that the structure of tariff protection (low tariffs on imported inputs and high tariffs on imported finished products) encouraged the concentration on light consumer goods and at the same time contributed to the inefficiency in the industrial sector and inability of most domestically manufactured products to be competitive thus hampering quest of industrialization . As a result of the type of industrial policy the country adopted after independence, the manufacturing sector is characterized by industries with low value-added which have little intra-sector linkages. Their inputs structure is highly import intensive. The linkage with the rest of the economy is weak; which most of them were assemblies that put finishing touches to imported inputs.

The issue above is contended by Ayodele and Falokum (2003) to manifest as a result of Nigeria's dependence on the external sector which did not reduce as expected; thus rendering the import substitution industrialization impotent. Accordingly, this paved way for export promotion industrialization strategy in the mid 1980s. The private indigenous entrepreneurs relied on crude technologies for the production of these light consumer goods that are scattered across the country. From the 1970s and early 1980s, large scale capital intensive industries in petroleum refining, petrochemicals, iron and steel, fertilizer, pulp and paper and automobile spare parts were established mainly by the government to produce basic inputs for the downstream industries. However, owing to the very poor performance of these basic industries, attributable to poor management, most of them ceased functioning, and have since been privatized (Mordi, Englama, and Adebusuyi 2010).

Suffice to say that nobody from our finding has denounced the fact that manufacturing sector is not an economic driver of growth and development. In Nigeria despite plethora of policies either protective or liberal inclined, the sector has not contributed meaningfully to be called economic driver. Table 1. Shows the size and growth of Nigeria's manufacturing sector from 1980 – 1999 in terms of growth rate, share of GDP and capacity utilization.

Years	Growth Rate%	Share of GDP %	Capacity Utilization%
1980	11.0	7.4	70.1
1981	14.6	9.4	73.3
1982	13.1	9.5	63.6
1983	-28.6	9.9	49.1
1984	12.0	7.8	42.0
1990	5.6	5.5	43.2
1991	-9.3	5.9	39.4
1992	-4.8	5.2	41.8
1996	1.0	6.5	33.0
1997	-0.4	6.3	34.0
1998	-3.9	5.4	30.30
1999	3.5	8.9	34.3

Source: CBN Statistical Bulletin 2002

In the above table it is quite clear to accept the fact that the manufacturing sector is on the decline. In 1980, the growth rate of the sector was 11.0% while contribution to the GDP was 7.4% and the utilization capacity was 70.1%. Looking at the above table, the following year saw an increase but immediately after 1981, the sector begun a down tune such that the growth rate was -3.9. in 1998. The sector which supposes to be linchpin to development contributed only 5.4% to GDP in the year in question. This situation is worsening. The contribution of the manufacturing sector to GDP was 4.14%, 4.21, and 4.1% in 2008, 2009, 2010 respectively. These figures suggest and show clearly that industrial policies are only mess; rather they continue to complicate the industrial decays

Manufacturers Association of Nigeria (MAN) noted in 2011 that the contribution of the manufacturing sector to the nation's Gross Domestic Product (GDP) has dipped from 4.21% to 4.1% between 2009 and 2010. In their 39th Annual General Meeting (AGM) held in Lagos. The association also said the average manufacturing capacity utilisation decreased from 47 percent in 2009 to 45 percent in 2010. Concerning employment, they added that employment figure in the first half of 2010 recorded a decrease from 998,086 in January to June 2009 to 966,395 in the same corresponding period of 2010.

Accordingly, the production output of the sector declined from N183.8 billion in the first half of 2009 to N165.7 billion in the same period of the previous year.

The association noted that business unplanned inventory increased from N5.15 billion in first half of 2009 to N11.4 billion in the same period of 2010. They said investment profile in the first half of 2010 had a sharp decline from N1.280 trillion in January to June 2009 to N360.23 billion in the corresponding period of 2010 (Osagie, 2011).

The year also witnessed the introduction of Cargo Tracking Note (CTN) by Nigeria Ports Authority (NPA) using security platform. The effect of this policy on manufacturers was an increase in the cost of shipment to Nigeria and consequently the cost of doing business in Nigeria which led to the closure of many companies. The Manufacturers Association of Nigeria (MAN) in a survey carried out as part of its membership operational audit in January 2010, recorded that of the 2780 registered members, a total of 839 manufacturing firms closed their factories in 2009. This is due to their inability to cope with the challenges posted by the harsh operating environment in Nigeria. The table below shows the number of manufacturing firms that shut down their operations across the country (Osagie, 2011).

Table2 showssome Manufacturing Companies in 4 geo-political zones in Nigeria that were shutdown only in 2009.

Table 2:

Manufacturing Enclaves	States Involved	Number of firms that shut down
Northern west	Kaduna, Kano	176
South-East Area	Anambra, Enugu, Imo, Abia	178
South-South	Rivers, Cross River, Akwa Ibom	46
South-West	Oyo, Ogun, Osun, Ekiti, Kogi, Kwara	225
Lagos Area	Ikeja, Apapa, Ikorodu	219

Source: The Manufacturing Association of Nigeria Membership Operational Audit Survey 2009.

Because of the lackluster performances of the manufacturing sector via contributing to economic growth and development, poverty in Nigeria is therefore a household commodity. The intensity of deprivation of poverty in Nigeria is 57.3%. Those that are totally vulnerable to poverty are 17.8% as compared to Ethiopia and Congo Democratic Republic 6.8% and 15.1% respectively. The severe cases of poverty in Nigeria are about 33.9% while those living below poverty line are 68% (UNDP, 2013). Accordingly, the contribution of deprivation to the overall poverty in Nigeria is amazing with 32% compared to Ethiopia and Congo DR 27.1% and 25.1% respectively. The situation in education is 27%, 25.9% and 18% respectively (UNDP, 2013).

The failure of industrial policy to assist the manufacturing sector to engender development has caused employment crisis in the country. The rate of unemployment is on the rise; 19.7%, 21.1% and 33% in 2009, 2010 and 2011 respectively thus endangering Nigerians with precarious poverty that is galloping everyday (www.gfmag.com**).** Down is table 3 that shows the incidence of poverty in Nigerian states (1980-2004)

Table 3.

State	1980(%)	1985(%)	1992(%)	1996(%)	2004(%)
Abia	14.4	33.1	49.9	56.2	22.27
Adamawa	33.4	47.2	44.1	66.5	71.73
Akwa Ibom	10.2	41.9	54.5	66.9	34.82
Anambra	12.8	37.7	32.3	51.0	20.11
Bauchi	46.0	68.9	68.8	83.5	86.29
Bayelsa	7.2	44.4	43.4	43.3	19.98
Benue	23.6	42.9	40.8	64.3	55.33
Borno	26.4	50.1	49.7	66.9	53.63
Cross River	10.2	41.9	45.5	66.9	41.61
Delta	19.8	52.4	33.9	56.0	45.35
Ebonyi	12.8	37.7	32.3	51.0	43.33
Edo	19.8	52.4	33.9	56.1	33.09
Ekiti	24.9	47.3	46.6	71.6	42.27
Enugu	12.8	37.7	46.6	71.7	31.12
Gombe	46.0	68.9	68.8	83.5	77.01
Imo	14.4	33.1	69.9	56.2	27.39
Jigawa	37.5	54.0	38.7	71.0	95.07
Kaduna	44.7	58.5	32.0	07.7	50.24
Kano	37.5	55.0	38.7	71.0	61.29
Kastina	44.7	58.7	32.0	67.7	71.06
Kebbi	25.4	45.8	37.9	83.6	89.65
Kogi	33.3	39.3	60.8	75.5	88.55
Kwara	33.3	39.3	60.8	75.5	85.22
Lagos	26.4	42.6	48.1	53.0	63.58
Nasarawa	49.5	49.5	50.2	62.7	61.59
Niger	34.0	61.4	29.9	52.9	62.90
Ogun	20.0	56.0	36.3	69.9	31.73
Ondo	24.9	47.3	46.6	71.6	42.14
Osun	7.8	47.3	46.6	71.6	42.14
Oyo	7.8	28.3	40.7	58.7	24.08
Plateau	49.5	64.2	50.2	62.7	60.37
Rivers	7.2	44.4	43.4	77.3	29.09
Sokoto	25.4	45.8	37.7	83.6	76.81
Taraba	33.4	47.2	44.1	65.5	62.15
Yobe	26.4	50.1	49.7	66.9	83.25
Zamfara	33.4	45.8	37.9	83.6	80.93
F.C.T	-	-	27.6	53.0	43.32
All Nigeria	28.1	46.3	42.7	65.6	54.04

Source: The National Bureau of Statistics (2007).

Nigeria, a country with a teeming population of over 140 million people with an oil dependent economy has had a declining average economic growth over the years. Due to poor human capital development several sectors of the Nigerian economy have suffered immensely. There is low income, hunger, poverty, disease; brain-drain, capital flight, huge debts and political instability are all the ramifications of this situation. In 2011, Nigeria was ranked 156 out of 187 countries. In 2012 and 2013 she was ranked 154 and 153 respectively out of 187 countries (Wikipedia free encyclopedia). The so called giant of Africa is ranked 23 after Tanzania and before Senegal in Africa in 2013 HDI report.

What are the responsible factors for the failure of the manufacturing sector? One of the major challenges facing industrial policy is globalization and global production sharing. Globalization entails the increasing integration of economies around the world through the reduction of such barriers to international trade such as tariffs, import quotas and export fees. One current future of the global order is the international mobility of capital due to advances in communications, technology and liberalization of financial markets, which has unleashed market forces through the deregulation of domestic markets, privatization and the gradual withdrawal of government from economic management. The unbundling of production processes and the greater mobility of firms and labor have led to increased spatial concentration of industry, which implies greater national as well as international inequality in the spread of industry. Some regions that have created a more conducive investment climate have benefited more than others in the globalization process. Other factors responsible for this are corruption, infrastructural decay, increase of exchange rate, lack of finance etc. In this regard, the Annual Report 2009: Available at www.manufacturersnigeria.org. In the annual report of MAN for 2006, it was claimed that the job loss in the sector between 1983 and January 2006 was estimated at 4.2 million. In addition, in the Newsletter edition of the Association for March, 2010, it was reported that one million jobs have been lost in the sector between 2006 and 2010. Various factors have been advanced for the collapsing situation of the manufacturing sector. MAN (2006) identified the problems confronting the sector among others to include: Poor power (Electricity) supply;; dilapidated infrastructure; lack of access to corporate finance, policy inconsistency; multiple taxation; corruption; lack of adequate take off incentives for new business; and general poverty in the land which places serious strain on the manufacturing firms (www.iosrjournals.org)

In the related development, Ogundele (2000), Malik, Ted and Baptist (2006) in their survey of Nigerian manufacturing firms found that the sector is having problems due to the following factors: Power shortage 70%;; lack of demand for the products 60%; lacks of finance/capital 20%; lack of imported raw materials 20%; lack of domestic raw materials 20%; problems of information technology 10%; foreign competitors 5%.

World Bank (2006) in the report of survey of investment climate in Nigeria, ranked constraints in the manufacturing sector as follows: Electricity 80%; access to finance 41%; transportation 38%; multiple Taxes 25%; crime 24%; corruption 22%, others 22%.

CONCLUSION/ RECOMMENDATIONS.

In this paper an attempt was made to examine the impacts of industrial policies on manufacturing sector. The analysis was based on the contribution of the manufacturing sector to GDP of the country and the level of poverty in Nigeria looking at the strategic impotance of the manufacturing sector to economic development. Two issues were noted which formed the adoption of two theories. These issues were based on the philosophy of the policies. One of positions looked at industrial policy as important because it enables the state to protect the industry against obnoxious actions of other countries and their industries through policy and incentives especially in the developing economies like Nigeria. The other notion holds that rational, self-interested actors competing freely in the marketplace will produce the greatest good and this government intervene in the market through policies rather, state should only do what the market cannot do by itself: “namely, to determine, arbitrate and enforce the rules of the game. The mercantilism and liberalism formed the basis of all the industrial policies in Nigeria. We discovered at the end of the finding that manufacturing sector in Nigeria is highly underperforming. Many factors are responsible for this ugly situation including corruption, infrastructural decay etc. It is in view of this that we recommend the following:

That government should improve the quality of infrastructures in the country especially the power sector so that the cost of production can reduce;

There should be encouragement of the use of local inputs and their availability be encouraged to aid local production;

Efforts should be intensified at all levels to ensure that funds are available for manufacturing activities through budget provision and in the bank and the fund should be monitored and used only for the purpose; and will go a long way to reduce corruption.;

Double taxation is discovered to be one of the impediments to industrialization and as matter of fact, government should establish double taxation monitoring unit under ministry of trade and investment and other related agencies to avoided this as well as unnecessary cargo tracking and delay for industrial inputs;

Government through legislation should encourage patronage of local products and prohibition of foreign goods that have substitute in the country;

It is in view of these and among other things that are healthy for the growth of the manufacturing sector that we feel will aid the sector to take its rightful place as a child of economic growth and development in Nigeria.

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