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Recent Trends and Patterns in Nigeria's Industrial Development

Dickson 'Dare Ajayi*

Abstract

This paper analyses recent trend and spatial patterns of manufacturing in Nigeria. In particular, the paper shows that industrial development in the country involved considerable artisanal crafts firms in the early stages and grew progressively in number over the years to large-scale manufacturing. The pattern of the distribution of manufacturing industries at the city level indicates that there is a marked concentration of manufacturing establishments in the southern part of the country, and especially Lagos, Ibadan and Benin in the southwest. Other locations of relative high concentration of industrial establishments are Kano in the North; and Enugu and Port Harcourt in the southeast. Although, this paper shows that production subcontracting increased and varied amongst subcontracting firms, production subcontracting relationships are concentrated in a few locations. The paper concludes that the spatial pattern could change if industrialists adopt the strategy of industrial linkages, and especially production subcontracting which has become a driving force in contemporary industrial development efforts in the world today. It is expected that the situation could be better enhanced given the ongoing privatisation of industrial concerns in Nigeria.

Résumé

L'étude analyse les tendances récentes et les structures spatiales des industries manufacturières au Nigeria. Il montre notamment que le développement industriel dans le pays impliquait, à ses débuts, un nombre considérable d'entreprises artisanales qui se sont progressivement développées en nombre au cours des années pour devenir des industries manufacturières d'envergure. La structure de la distribution des industries manufacturières dans les villes montre qu'il y a

* Department of Geography, University of Ibadan, Ibadan, Nigeria.
Email: ajayidd@yahoo.com

Trends in Nigeria's industrialisation

The growth in industrial activities discussed in this section is in three phases: the pre-colonial era, the early post-colonial era, and events since the mid-1980s.

Pre-colonial era

The pre-colonial era, that is, the pre-1900 economy of Nigeria, featured considerable craft industries in the various clans and kingdoms. Modern factory activity was then hardly known (Onyemelukwe 1983). Prominent among these craft industries that featured in local and inter-regional trade were artefacts of wood, brass and bronze, leather, handwoven textiles and bags, iron workings and fire burnt pottery from local clay. The forest zone, especially in and around the old Benin Kingdom, excelled in wood and bronze workings. The Awka-Nri-Igbo-Ukwu area of the Igbo heartland was famous for pottery, woodcarving and blacksmithing. The Oyo area excelled in calabash carving and textile weaving and dyeing. Bida area was noted for glass and brass works. The Hausa-Fulani made leather artefacts while the Ibibio-Efik communities were famous in woodcarving and raffia embroidery.

One major characteristic of these craft industries was that they featured in the different locations in a close link with the available raw materials. However, the crafts industry has declined considerably following the superior competition from modern industrial activities, particularly manufacturing. Onyemelukwe (1983) notes that Nigeria has embraced the factory type industrialisation as the main panacea to her underdevelopment. The coming of Europeans, especially in the wake of formal trade contact, brought about the first widely recognised forms of modern industrialisation. The slave trade yielded priority of place to 'legitimate trade' (Flint 1960), in industrial raw materials obtainable in this part of West Africa. The need then arose for valorisation (Aboyade 1968; Mabogunje 1973; Ayeni 1981; Onyemelukwe 1983).

Valorisation involved the carrying out of the initial processing of raw materials with the object of removing waste matter, improving the quality or converting the produce into a form in which it could be more easily stored and transported before being exported. For instance, the extraction of palm oil from the pulpy pericarp of palm fruits, which was crudely processed, was by the 1920s better and more economically handled in the 'pioneer oil mills'. Cotton lint was no longer extracted through the laborious and slow manual extraction process but mainly handled in modern ginneries. The forest logs were processed as sawn lumber mainly in power-driven sawmills before being exported to Europe. Considerable finishing operations including printing and publishing, baking and furniture works, also featured from the beginning. Whereas processing was geared towards the rapidly expanding

metal, furniture and fixtures, structural metal products and fabricated metals.

The manufacture of agricultural and special industrial machinery and equipment, household apparatus, and transport equipment contributed a low share of value added goods (see Teriba et al. 1981 for details). This growth in manufacturing however witnessed a period of lull following the political crisis which culminated in the civil war until the early 1970s. As a part of the reconstruction efforts, the Second National Development Plan, 1970-74, which had the objectives of a united, strong and self-reliant nation; a great and dynamic society; a just and egalitarian society; a land of bright and full employment for all citizens; and a free and democratic society, had as its major policy thrust:

- (i) To promote even development and fair distribution of industries in all parts of the country;
- (ii) To ensure a rapid expansion and diversification of the industrial sector of the economy;
- (iii) To increase the incomes realised from manufacturing activity;
- (iv) To create more employment opportunities;
- (v) To promote the establishment of industries which catered for overseas markets in order to earn foreign exchange;
- (vi) To continue the programme of import-substitution, as well as raise the level of intermediate and capital goods production;
- (vii) To initiate schemes designed to promote indigenous manpower development in the industrial sector; and
- (viii) To raise the proportion of indigenous ownership of industrial investments.

To attain these goals, the government laid down priorities from time to time and initiated measures to achieve them, such as reconstructing damaged industrial capacities, the promotion of expansion of the intermediate and capital good industries in order to raise the contribution of value added in the manufacturing sector, and the promotion of rapid industrial development etc. The situation continued in this manner to the mid-1980s.

Events since mid-1980s

The industrial sector of the Nigerian economy improved over the years. The relative share of manufacturing industry in the GDP increased from 19.8 percent in 1966-1967 to 32.4 percent in 1971-1972 (Teriba and Kayode

respectively. However, the percentage of local sourcing materials decreased to 46.0 percent by mid-1989.

Table 1: Some aspects of Nigeria's Manufacturing, 1981-2002
(at current price)

Year	Percentage of Total Value Added	Percentage of Gross Domestic Product (GDP)
1981	17.0	9.2
1982	17.3	9.6
1983	17.1	10.0
1984	14.8	7.8
1985	16.4	8.7
1986	16.2	8.7
1987	13.0	6.8
1988	14.3	7.5
1989	10.5	5.3
1990	10.9	5.5
1991	11.9	5.9
1992	10.0	4.8
1993	10.7	5.5
1994	12.1	6.6
1995	N/A	6.6
1996	N/A	N/A
1997	N/A	N/A
1998	N/A	5.9
1999	N/A	6.0
2000	N/A	6.0
2001	N/A	6.2
2002	N/A	6.0

Source: Federal Office of Statistics: National Accounts of Nigeria, 1981 to 1994. CBN-Annual Report and Statement of Accounts, 2003.

The percentage of local sourcing of raw materials was high in non-metallic mineral products; food, beverages and tobacco; and textiles, wearing apparels and leather industry groups in descending order, and comparatively low in basic metal, iron and steel and fabricated metal products; motor vehicles and miscellaneous assembly; and electrical/electronic industry groups.

Spatial pattern of industrialisation

The spatial pattern of industries discussed here pertains to the number of firms as found in the various locations within the country. Earlier studies have confirmed that manufacturing activities in Nigeria are concentrated in a few states and primarily in a few cities, which are mainly state capitals, ports and major administrative centres (Schatzl 1973; Mabogunje 1973; Adegbola 1983; Onyemelukwe 1978; Ayeni 1981a). Thus, there are spatial disparities in the distribution of industrial establishments. Ajaegbu (1976) has shown four industrial-urban conurbations in Nigeria. These are: Lagos-Ibadan, the Kano – Kaduna – Zaria – Jos, Benin – Sapele – Warri, and Port-Harcourt – Aba – Onitsha – Enugu conurbations. This spatial disparity in the distribution of manufacturing activities has often been explained in terms of the need for the valorisation of raw agricultural products or the treatment of raw materials for export, or through the principle of import substitution adopted by the Nigerian governments as their industrial planning strategy (Ayeni 1981a). The result of valorisation means the establishment of manufacturing industries in areas where natural resources such as agricultural products and minerals are found (Abiodun and Aguda 1988).

While valorisation meant the establishment in a few cities of mostly consumer goods industries for which the market existed, import substitution entailed the importation of machinery, raw materials, and in many instances, the skilled labour. In spite of the successive development plans aimed at even distribution of industrial activities in all parts of Nigeria, industrial activities are still concentrated in a few locations. Table 3 shows that out of the total of 2,355 manufacturing establishments in Nigeria in 1994; 768 (32.6 percent) were concentrated in Lagos State alone. Kano State had 216 (9.2 percent), Rivers and Imo States each had 212 (9.0 percent) and 171 (7.3 percent) respectively. Bauchi and Katsina States had 8 (0.3 percent) each, while Abia and Jigawa states had no manufacturing establishments at all.

The pattern of the distribution of manufacturing industries at the city level in 1989, indicates that there is a marked concentration of manufacturing establishments in the southern part of the country, and especially Lagos in the southwest. The leading position of Lagos in the southwest is clearly shown by the size of the proportional circle. Other locations of relative high concentration of industrial establishments are Kano in the North; Ibadan and Benin in the southwest; Enugu and Port-Harcourt in the southeast. While manufacturing establishments are concentrated in several locations in the south, they are found in a few locations in the north. This industrial concentration is further reflected, and has thus formed the basis for the choice of the Lagos region for research by Ajayi (1998, 2000, 2001, 2002,

Recent trends in Nigeria's industrial development

The section focuses on networks of industrial linkages as occasioned by industrial production subcontracting (a strategic positioning of industrial activities), and privatisation in Nigerian industrial development.

Production subcontracting experience

The Nigerian experience shows that production subcontracting linkages started in the early 1960s, the post-independence period. The earliest stage in the adoption of production subcontracting as an industrial production technique in Nigeria was characterised by insignificant growth and rapid growth thereafter. However, there was marked variation in the adoption of production subcontracting by industry groups over the years (Ajayi 1998, 2002).

Whether in terms of number of contractors involved or volume of production, subcontracting in textiles, wearing apparels and leather industry group dominates the production-subcontracting scene. While the number of subcontractors engaged by any contracting firm ranged from one to a maximum of four, over 50 percent of the contractors engaged the services of a maximum of two subcontractors. The number of subcontractors engaged varied markedly especially in food, beverages and tobacco, chemicals and pharmaceuticals and textiles, wearing apparel and leather industry groups (see Ajayi 1998, 2003a). The dominant form of subcontracting is speciality subcontracting mainly carried out by independent subcontractors over short distances. Production subcontracting became very important after the introduction of the Structural Adjustment Programme in 1986, and it is perceived by industrialists as very important in reducing the costs of production.

The volume of production subcontracting defined in terms of the monetary values increased and varied significantly amongst the contracting firms over the years (see Ajayi 1998, 2000 for details). It is further shown that there is no significant relationship between the volume of production subcontracting and the size and structural characteristics of contracting firms. It is only in the motor vehicles and miscellaneous assembly industry group that production subcontracting accounted for more than 30 percent of the total costs of production in any of the years. Textiles, wearing apparel and leather industry group accounted for the largest volume of production subcontracting in any of the years. While all the industry groups are involved in production subcontracting within the Lagos region, only five of the industry groups carried production subcontracting beyond the Lagos region.

Production subcontractors are concentrated in Lagos, Ikorodu, Sagamu and Ibadan in the Southwest; Jos, Kaduna, Zaria, Kano, and Sokoto in the north; and a few other locations such as Benin, Owerri, Port-Harcourt (in the south) and Ilorin (middle belt). For instance, in textiles, wearing apparel

NERFUND (Ndebbio 1997, 2003), and the Nigerian Investment Promotion Decree No. 16 and the Foreign Exchange (Monitoring and Miscellaneous Provision) Decree No.17 of 1995. All these were directed at both indirect and direct investment in the Nigerian economy for improved productivity, growth and development.

Nigeria has thus adopted the macro-institutional approach to privatisation through:

- (i) lessening the dominance of unproductive investment in public sector;
- (ii) improving the sector's efficiency;
- (iii) intensifying the growth potential of the private sector;
- (iv) trimming down the size of the public sector; and
- (v) contributing to the solution of the country's fiscal problem, etc.

However, the issue of privatisation of industrial concerns in Nigeria has received little empirical investigation. For instance, Udejaja (2003) has shown that although the two (insurance) firms investigated recorded a significant increase in taxation after privatisation, there was a positive improvement in wage income, the share of wage income in the value-added of the firms and the share of workers' wages to the company's overall value-added. Perhaps Onyeonoru (2003), on globalisation and industrial performance, is instructive here. He found out that economic performance of firms in the manufacturing sector during the globalisation period in the study was adversely affected; however, his findings were however limited to the firms in the food, beverages, and tobacco industry sub-sector. Most studies have analysed the policy thrust of commercialisation and privatisation in Nigeria (see Obadan and Ayodele 1998; Oriakhi 2001; Odisa-Alegimenlen 2003; Okoh 2004). There is no known study that has succinctly analysed the issue of privatisation on the industrial (manufacturing) sector of the Nigerian economy.

Conclusion

This paper has analysed the trend and spatial pattern of manufacturing in Nigeria. In particular, it has shown that industrial development in the country involved considerable craft works in the early stages and grew progressively in number over the years to large-scale manufacturing. The spatial pattern largely reflects the established reports in the literature that industries are concentrated in a few locations. However, given the spate of industrial growth, it is hoped that the spatial pattern could change if industrialists adopt the strategy of industrial linkages, and especially production subcontracting which has become a driving force in contemporary industrial development

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