

**IMPACT OF THE MANUFACTURING SECTOR ON ECONOMIC
GROWTH IN NIGERIA**

(1981- 2020)

By

IDEHEN Martha Precious

MATRIC NO: 17020301006

**BEING A PROJECT SUBMITTED TO THE DEPARTMENT OF
ECONOMICS, COLLEGE OF HUMANITIES MANAGEMENT AND
SOCIAL SCIENCES, MOUNTAIN TOP UNIVERSITY.**

**IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE
AWARD OF BACHELOR OF SCIENCE DEGREE (BSC) IN
ECONOMICS.**

AUGUST, 2021.

CERTIFICATION

This is to certify that this work was carried out by Idehen, Martha Precious (17020301006) at the Department of Economics Mountain Top University, Ogun State Nigeria under my supervision.

Name of Supervisor: Dr. Babasanya, A.O.

Signature & Date -----

Name of H.O.D: Dr. Ologundudu Mojeed M

Signature & Date -----

DEDICATION

This research is dedicated to The Almighty God who alone has made it possible for me to get to complete this project and get to this point in life. All glory belongs to him alone.

ACKNOWLEDGMENTS

My sincere appreciation goes to my wonderful parents Arch. and Mrs Idehen for their unfailing guidance, love and support and to me, they've always been there for me through every phase I passed through, thank you very much for your prayers also, and also to my siblings for being there for me, supporting me and listening to me, I appreciate you all sincerely.

I also want to deeply appreciate my project supervisor, Dr. Babasanya, Adeyemi for his huge support, guidance and advice towards the successful completion of this project. I also appreciate my H.O.D, Dr.. Ologundudu, Mojeed .M. and my lecturers Dr Obafemi Ademola Young and Mr Oluyomi, Olatunji Oluwatosin for assisting and pushing me through various ways to ensure I successfully complete this work. My sincere thanks also goes to Dr. Maku, Olukayode, Dr Clement, Olaniyi, Dr Ojapinwa, Taiwo and Dr Adelowokan for their sincere support and teaching me most of the things I know regarding my field of study.

I want to deeply thank the university chaplain Pastor Olumide, Adesina for his spiritual guidance, prayers, fatherly concern and advices to me.

Also, I will like to express my thanks to my wonderful friends for always encouraging me and course mates who have contributed to my work in one way or another.

TABLE OF CONTENTS

CONTENTS	PAGES
TITLE PAGE	i
CERTIFICATION	ii
DEDICATION	iii
ACKNOWLEDGEMENTS	iv
TABLE OF CONTENTS	v
LIST OF TABLES	ix
ABSTRACT	x

CHAPTER ONE: INTRODUCTION

1.1 Background to the Study	1
1.2 Statement of the Problem	3
1.3 Research Questions	6
1.4 Research Objectives	6
1.5 Research Hypothesis	6
1.6 Significance of the Study	6
1.7 Scope of the Study	7

CHAPTER TWO: LITERATURE REVIEW

2.1 Conceptual Review	8
2.1.1 Concept of Industrialisation	8
2.1.2 Concept of Manufacturing	8

2.1.3 Concept of Economic Growth	9
2.1.4 An Overview of the Manufacturing Sector and Economic Growth in Nigeria	10
2.1.4.1 An Overview of Policies Set in Place to Boost Nigeria’s Manufacturing Sector	11
2.1.4.2 The Import Substitution Industrialization Strategy	11
2.1.4.3 The Nigerian Indigenization Policy	12
2.1.4.4 The Nigerian Enterprise Promotion Act	12
2.1.4.5 Structural Adjustment Programme	12
2.1.4.6 Trade and Financial Liberalization Policy	13
2.1.4.7 Bank of Industry	13
2.1.4.8 Small and Medium Industries Equity Investment Scheme	13
2.1.4.9 National Economic Empowerment and Development Strategy	14
2.1.4.10 National Integrated Industrial Development	14
2.1.4.11 Industrial Park Development Strategy	14
2.2 Theoretical Review	15
2.2.1 Theories of Economic Growth	15
2.2.1.1 Classical Growth Theory	15
2.2.1.2 Neo-Classical Growth Theory	16
2.2.1.3 The Endogenous Growth Model	17
2.2.1.4 Nicholas Kaldor’s Growth Model	18
2.3 Empirical Review	19

2.4 Summary of Literature Review	24
2.5 Gaps in the Literature	24
CHAPTER THREE: METHODOLOGY	
3.1 Theoretical Framework	25
3.2 Sources of Data	25
3.3 Model Specification	28
3.4 Estimation Technique	29
3.4.1 Unit Root Test	30
3.4.2 Lag Length	30
3.4.3 Co-Integration Analysis	30
3.4.4 Short-Run and Long-Run Estimates	31
CHAPTER FOUR: PRESENTATION AND INTERPRETATION OF RESULTS	
4.1 Unit Root Test Results and Interpretation	33
4.1.2 Lag Length Order Selection Criteria Results	37
4.1.3 Co-Integration Test	40
4.2 Empirical Results on the Relationship between Manufacturing Capacity Utilization and Economic Growth in Nigeria	43
4.2.1 Long-Run Effect of the Relationship between Manufacturing Capacity Utilization and Economic Growth in Nigeria	43

4.2.2 Short-Run Effect of the Relationship between Manufacturing Capacity Utilization and Economic Growth in Nigeria	46
4.3 Empirical Results on the Impact of Manufacturing Sector Output and Economic Growth in Nigeria	48
4.3.1 Long-Run Effect of the Impact of Manufacturing Sector Output and Economic Growth in Nigeria	48
4.3.2 Short-Run Effect of the Impact of Manufacturing Sector Output and Economic Growth in Nigeria	51
4.4 Summary of Discussion of Results	53
CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	
5.1 Summary of the Findings	54
5.2 Conclusion	55
5.3 Recommendations	56
References	57

LIST OF TABLES

Table 3.1 Sources of Data	26
Table 4.1 Result of the Augmented Dickey Fuller Test	35
Table 4.2 Result of the Phillip Perron Test	36
Table 4.3 Lag Length Selection Criteria for Objective One	38
Table 4.4 Lag Length Selection Criteria for Objective Two	39
Table 4.5 Co-Integration Test Result for Objective One	41
Table 4.6 Co-Integration Test Result for Objective Two	42
Table 4.7 Estimated Long-Run Test Result for Objective One	45
Table 4.8 Estimated Short -Run Test Result for Objective Two	47
Table 4.9 Estimated Long -Run Results for Objective One	50
Table 4.10 Estimated Short Run Results for Objective Two	52

ABSTRACT

This study examined the Impact of Manufacturing Sector on Economic Growth in Nigeria. In line with the objectives of the study, secondary data were obtained from Central Bank Statistical Bulletin and World Bank Indicator covering the period of 1981 to 2020. The data was based on manufacturing capacity utilization, manufacturing sector output, inflation, exchange rate, technology, money supply, government expenditure and real interest rate. The study employed the Autoregressive Distributed Lag (ARDL), it employed the Augmented Dickey-Fuller (ADF), Phillip-Perron (PP) test the lag order of the ARDL models using VAR order selection criteria, the cointegration test and tested for long-run and short-run relationship. The results of the data showed that there exists a positive relationship between the manufacturing sector and economic in Nigeria. The results showed that manufacturing capacity utilization, manufacturing sector output, and real interest rate has a positive relationship with economic growth, while inflation, exchange rate, technology, government expenditure and money supply has a negative relationship with economic growth in the long run in Nigeria. Thus, the study recommends that the government should work on improving the infrastructural facilities in the country to aid investment and also encourage entrepreneurs. Also the central bank can make interest rate more assessable to investors to encourage investment in the manufacturing sector.

Keywords: Manufacturing sector, manufacturing capacity utilization, ARDL, Economic Growth.