

Industrialization In The Face Of Recession: The Nigerian Experience

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ABSTRACT

Industrialization, it is believed comes with some level of improvement in the standard of living, since it tends to make more readily available social amenities and infrastructure through which the ever-changing needs and challenges of the society are addressed. There are factors necessary for appreciable rate of industrialization to be achieved including some level of security, significant sufficiency in agricultural productivity, adequate fuel and raw materials supply, effective transport and communication system, adequate human capital, stable and supportive financial services sector, consistency in government policy and effective and functioning government institutions. Economic recession which is seen as a widespread and consistent reduction in productive activity, over a number of months resulting in a fall in gross domestic product and income per capita as well as increased unemployment levels and a general shrinking of the economy comes with the absence of one of the most vital requirements for industrialization, namely increased cash injection for investing in capital projects and industrial development. Successive Nigerian government administrations have paid lip service to industrial development and the current recession makes industrialization more challenging especially because of high inflation, dwindling purchasing power and general shrinking of the economy. Some the most critical challenges are hardly available power supply, corruption, unfavourable exchange rates and highly porous borders. It is recommended that government finds the political will and courage to resolve the identified challenges towards returning Nigeria to the path of industrial development.

Keywords: Industrialization, Recession, Industrial Development, Nigerian Industrial Revolution Plan

INTRODUCTION

Industrialization although defined differently by different people, is essentially seen as a process that involves the transition of a socioeconomic landscape from a relatively simple, low-scale agrarian one to a more complex, large-scale industrial type. All forms of industrialization entail some significant level of replacement of manual labour with machines and the advancement from primary production to processing and manufacturing. It often implies the alteration of organizations' management systems in line with the requirements of a more technical, complex and larger-scale business operations and usually comes with some sort of economic boom and prosperity (Hobsbawm, 1963). Industrialization, it is believed comes with some level of improvement in the standard of living, since it tends to make more readily available social amenities and infrastructure through which the ever-changing needs and challenges of the society are addressed. Industrialization is synonymous with structural

transformation in terms of deployment of advanced technology, equipment and machinery in the production of goods and services (Beji and Belhadj, 2016).

All economies, irrespective of where they are in the development continuum, tend to aspire for higher and higher levels of advancement in the industrialization continuum. This implies that industrialization is a continuous process of some sort since no economy, no matter how scientifically and technologically advanced, ever gets to the point where they would need no further advancement. All forms of human society, indeed all of humanity seems eternally entangled in a web of constantly changing, increasingly complex puzzles, be they physical, social, scientific or technological and as such all forms of development and advancement, including industrialization are a continuous processes (UN Documents) and require a consistent effort of pushing beyond existing frontiers.

Industrialization is hardly the result of a single overriding factor, rather the process of industrialization is precipitated through the interplay of a number of physical and socio-economic variables which could generally be referred to as the factors necessary for appreciable rate of industrialization to be achieved (Wilde, 2017). These variables, although are of themselves probably not sufficient to cause industrialization to take place are often present in any economy that is experiencing any reasonable rate of industrialization. They include some level of security, significant sufficiency in agricultural productivity, adequate fuel and raw materials supply, effective transport and communication system, adequate human capital, stable and supportive financial services sector, consistency in government policy and effective and functioning government institutions. Others are internal demand and economic openness (Schmiegelow, 1992).

What this means is that investors would only cast in their hard-earned money if the socioeconomic climate is relatively safe, such that they can deal without the fear of some external or domestic aggression and conflicts that can wipe off their decades of hard work in a swipe. People want to be sure that where there are disagreements arising from business dealings and contracts as they always do, relevant institutions of government are able to intervene in a manner that would be considered timely, effective and fair (Beji and Belhadj, 2016). The role of adequate agricultural productivity as a precondition for industrialization stems in the fact that no economy has ever effectively and sustainably industrialized while still unable to feed its population. And of course, inconsistency in government policies with regards to industrial development is tantamount to consistently making investors incur losses and consistently ruining their confidence in the economy.

Adequate fuel and raw materials are often required for power supply and as industrial input, which form the very base or foundation of industrialization. On the other hand, while human capital is the central coordinating factor for any productive endeavour, in this case talking about both technological and entrepreneurial capacities, a supportive and stable financial services sector is necessary for long term financing of various industrial development projects; long term financing because most industrial development projects mature and yield dividends only after several years of hard work and funding. It does take a strong, stable and reliable financial services sector to handle all of these (Duisenberg, 2001).

The need for industrialization is well recognized by Nigeria; since after she secured her independence from Britain in 1960, Nigeria has made several attempts at industrializing, all without any appreciable success. Among several such attempts and like many other such well-intentioned efforts of government, The Nigeria Industrial Revolution Plan 2014. The plan is aimed at increasing the contribution of Nigeria's manufacturing sector to Gross Domestic

Product from about four percent in 2014, to six percent by 2015, and then above 10 percent by 2017 (Nigeria Industrial Revolution Plan, 2014). Laudable objectives, one would say, and yet almost all of those hopes have been dashed by the current economic recession that Nigeria is experiencing, which has been described as her worst in 29 years (National Bureau of Statistics, 2016 cited in Babalola, 2016).

So, what is it about Nigeria's economic recession that seems to have dashed Nigeria's hope of industrializing anytime soon? What is it about the economic crisis that seems to have specifically truncated Nigeria Industrial Revolution Plan, 2014? To effectively answer this question one needs to first understand what industrialization entails and what a severe recession such as Nigeria is currently experiencing implies in terms of general socioeconomic well-being.

What Industrialization Entails

Having stated earlier that industrialization represents an economy's wide-spread transformation from a relatively simple, low-scale agrarian one to a more complex, large-scale industrial type, it should not be very difficult to imagine the high capital involvement of industrialization in terms of funding requirement. You are looking at long term projects of developing complex tools, machines and equipment, while at the same time investing in high level manpower development to drive the industrialization process in order to make it all sustainable enough to yield the expected benefits in the long run (Sulieman, 2015). This presupposes that other relevant infrastructure including efficient, reliable power supply, and effective transport and communication network as well as security are already in place. Otherwise, the provision of such basic physical and social infrastructure would have to precede the former. Again, all of these require much planning and financial capital outlay (African Development Bank Group, 2013).

Implications Of Economic Recession

Talking about economic recession, we look at it as a reasonable, widespread and consistent reduction in productive activity, over a number of months resulting in a fall in Gross Domestic Product and income per capita as well as increased unemployment levels and a general shrinking of the economy (Babalola, 2016). Recession could be induced by a number of factors including persistently high inflation rates, high costs of production, higher energy costs and national debt. One of the major ways that investors react to a recession is to cut cost by spending as minimally as possible. Workers would often be laid off and people's purchasing power would usually decrease.

But then, investors cutting down on spending, thus a reduction in the number of capital projects is definitely antithetical to industrialization. That means a recession is a most unlikely time for economies to want to industrialize, even though that is actually a time when more capital projects should be undertaken to further inject funds into the economy. A lot of times, even government does not seem to have lots of money for capital projects and industrial development (Babalola, 2016).

Essentially therefore, an economic recession seems to imply the absence of major factors required for rapid industrialization, namely adequate cash injections into the economy; widespread dwindling of purchasing power means there's hardly enough cash for industrial development (<http://www.enpowerng.com>). One might want to ask if recession causes widespread dwindling purchasing power, or widespread dwindling purchasing power causes recession. It is more or less a typical 'chicken or egg. Which comes first' and is a bit outside the scope of this discourse. What is of further interest is to examine how Nigeria's industrial sector

is faring in the face of recession, what coping strategies stakeholders are adopting and then make useful suggestions on the possible way forward for Nigeria's industrial sector.

First of all, it has been observed that successive Nigerian Government administration have hardly fulfilled their promises of transforming the industrial sector, due to several reasons that administrators may consider justifiable (Sulieman, 2015). Consequently, there is a general lack of confidence in the political will or ability of government administration to develop Nigeria's industrial sector. Whatever little improvements that seem to have been made or that would eventually be made could be traceable more or less to private effort on the part of industrialists than government.

As a matter of fact, long before the current recession, a number of factors have been impeding industrial development and business activities in general across the country, leading to very high mortality among industrial firms (Onuoha, 2013). These impedances include high level of insecurity as demonstrated through frequent kidnapping of workers, poorly implemented government policies that are meant to discourage imports and encourage made-in-Nigeria goods, highly porous borders through which large quantities of restricted foreign goods still get smuggled into the country, making it difficult for local industrial firms to compete as well as hardly available local machine tools industries to nurture and drive industrialization process.

The economic recession seems to have added a lot more to the challenges of doing business and by extension, the challenges of industrialization in Nigeria (Sulieman, 2015). Moving forward, the paper looks at specific aspects of industrial production process and how the recession affecting activities therein. We specifically look at Production and Distribution as well as Exchange of Goods and Services.

Production And Distribution

As earlier stated, production costs have sky-rocketed due to the unfavourable Naira - Dollar exchange rate. The Nigerian currency has, for most of the past few years, been on a 'free fall' relative to the U.S Dollar. Given that most of the industrial input used in Nigeria are either imported or accessed via systems and processes that are somehow still tied to the exchange rate, a weak [and increasingly weaker] Naira simply means that the cost of production has become unbearably high (Onuoha, 2013). Moving or transporting finished goods over very poorly maintained roads increases the cost of distribution because of the likelihood of frequent truck and vehicular breakdown as well as unnecessary delay in the distribution of goods and services.

Exchange Of Goods And Services

Having explained earlier that the prevailing economic recession across Nigeria has grossly reduced income per capita and therefore purchasing power among the populace as well as extremely increased the various costs associated with the production of goods and services, it is not very difficult to see that industrial firms and businesses in general are experiencing lower patronage and decreasing revenues. Businesses that depend on industrial products as raw materials are finding it difficult to cope with the high cost of such input and are therefore doing everything to cut cost, including laying-off as many workers as possible (Babalola, 2016). As businesses' purchasing power is getting weaker so is that of individuals getting weaker. The most feasible end result is that exchange of goods and services is negatively affected.

Besides, the much higher production costs which eventually results to higher product cost on the final consumer. The much higher cost on the consumer in the face of dwindling purchasing

power is tantamount to much lower rates of exchange of goods and services and a general downward turn for the economy.

These worsening challenges are manifested by way in terms of high and worsening levels of poverty and unemployment-induced insecurity as manifested in higher incidences of kidnapping, abduction and robbery. There is also currently very high cost of production input or raw materials leading to high cost of finished products as well as increasing electricity tariffs amidst dwindling power supply (Suliman, 2015). The low and dwindling purchasing power among the populace has not helped matters either. Such dwindling purchasing power is due to high rates of inflation which has led to dwindling patronage, low sales and falling revenues amongst most businesses. In addition, the transport and communication networks are neither reliable nor improving and this has made it more difficult to move raw materials and finished goods and has therefore added to the high cost of doing business (Chete, Adeoti, Adeyinka and Ogundele, 2016).

Also, there is increased level of extortive tendencies among officers of regulatory agencies and law enforcement institutions who seem to be more on revenue drive than law enforcement and business climate enhancement as manifested in, high multiplicity of taxes, levies and rates charged by revenue collectors.

The general outlook of Nigeria's industrial sector presents a picture of higher rates of business failure with several companies folding up and workers being laid off in their thousands. Nigeria's industrialization in the face of recession presents a really sad picture, a worsening situation that could best be described as rapid *de-industrialization* as a good number of the few industries that once existed are fast closing down due to their inability to cope with the extremely harsh business climate.

Recommendation And Possible Way Forward For Nigeria's Industrialization

Looking at the current state of Nigeria's industrial development vis-a-vis what was outlined earlier as the factors that are necessary for industrialization one would realize that there is at the moment everything but a climate for industrial development in Nigeria. Attempting to fix the myriads of issues and realistically return Nigeria back on the path of industrialization might seem almost overwhelming. Indeed, each of the challenges identified should be addressed to be able to restore hope to Nigeria's industrial sector. However, there are some key areas that if attended to for a start could make a difference and kick-start the process of industrial revolution. Probably in no particular order of importance are the issues of insecurity, power supply, porous borders and extortive tendencies of law enforcement and regulatory agencies.

No investor, not even government would want to make reasonable investments in a climate of insecurity, kidnapping, vandalism and robbery. This probably makes the issue of insecurity the most critical challenge to Nigeria's industrialization. Also, the provision of electricity supply for industrial purpose is hardly a project that could be handled by individuals or weak corporations. The government has to wake up to its responsibility and beginning to actually play a lead role in the power sector. No industrialization occurs in the absence of adequate electricity supply. What about the porous borders? As much as it does not make sense to *let your toddler engage a thirty year old professional boxer in a fight*, it is important for relevant authorities to do everything possible to protect and encourage local industries. Nigeria cannot really industrialize leaving the borders as porous as they are. Corruption, in all its forms should also be tackled. Revenue and law enforcement officers exhibit extortive tendencies and get away with it only because of there is deep-rooted systemic corruption in Nigeria. It will be

very difficult for Nigeria to hope to rapidly industrialize while corruption is an acceptable free-for-all lifestyle.

It is recommended that government finds the political will and courage to resolve the identified challenges towards returning Nigeria to the path of industrial development.

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