

The Challenges of Industrialization in Nigeria and The Way Forward

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ABSTRACT

Industrialization is a major factor in economic growth and development of any nation. The availability of essential goods and services, improved living standard, stimulation of other sectors of the economy, poverty reduction, job creation, development of skilled manpower are all elements of any nation's level of industrialization. In Nigeria's case, a plethora of policies, programs and strategies have been formulated towards the advancement of industrialization process since its independence in 1960. One of the key considerations for these industrial policies in Nigeria is gained from the conviction that the growth of industries would provide the avenue for employment of labour, thereby reducing poverty to the lowest level. These policies have proved abortive due to myriad of challenges, including incessant power outages, lack of finance/capital, multiple government taxations, and insecurity. This study, therefore, aims to highlight the challenges of industrialization in Nigeria, as well as the way forward. To achieve this, the study adopts the qualitative methodology which includes the narrative and descriptive analysis of data, and involved investigations and eliciting relevant information from the secondary sources. The adoption of Schumpeter's Innovation Theory was used to explain the importance of entrepreneurs as catalysts for industrialization through their innovative activities. The study concludes that the creation of a business-enabling environment is required for the needed industrial base in order to diversify the economy. This study, therefore, recommends that government should formulate and adopt policies that would encourage trade performance, local manufacturing, self-reliance and entrepreneurship among citizens as well as industrial advancement to promote economic growth. Since industrialization facilitate economic growth through the innovative activities of entrepreneurs, the range of financing instruments available to SMEs and entrepreneurs should be expanded to enable them to continue their role in investment, growth, innovation, and employment.

Keywords: Economic growth, Development, Industrialization, Nigeria.

INTRODUCTION

Industrialization is one of the indicators and distinctive features of modern economic growth and development of a country (Tamuno & Edoumiekumo, 2012). According to Barigbon & Idoniboye-Obu (2022), it is the driver of economic growth. It can be defined as a change in a country's form of production and work force towards producing or minor industries and also relates to different income levels attainment in which nations can be classified such as high-income, higher upper income, lower upper income, higher middle income, lowers middle income and the low income countries (Clunies -Ross *et al.*, 2010). It concerns the introduction, growth and development of industries and several sectors of the economy, such as communication, building, construction, manufacturing, real estate, banking and public utilities in different parts of the country. The level of industrialization of a country facilitates its productive ability to make the essential goods and services available, reduce poverty, enable self-reliance, improve living standard, balance of payment stability, saves time and labor, stimulate other sectors of the economy, development of skilled manpower, minimize social tension by creating more employment opportunities, increase the earning power of the populace, and sustain economic growth and development (Ogbuabor, *et al.*, 2018; Ikonne and Nwogwugwu, 2020). Industrialization influences agricultural output. Hence, an increase in the agricultural

sector will result to an increase in the industrial sector which in turn brings about economic development.

In the context of developing countries, Ayodele and Falokun (2003); Adegoke *et al.*, (2020) observed that the government seeks to use industrialization as an instrument or a weapon of economic growth that will assist them to achieve its macroeconomics purposes including, increasing its national output, minimizing unevenness in development outcomes, generating income, minimizing dependency on the developed countries and minimizing fluctuations in foreign exchange earnings. However, in Nigeria, agriculture was the mainstay of the economy at independence in 1960, providing food and employment for the populace, raw materials for the emergent industrial sector which according to Central Bank of Nigeria (CBN cited in Ogbuabor, 2018), includes manufacturing, construction, electricity, mining, water and gas industries, and also generating the bulk of government revenue and foreign exchange earnings (Chete *et al.*, 2014). As a result, Industrialization in the case of a developing economy like Nigeria can thus, be seen as the departure from a subsistence economy that is largely agriculturally towards a more mechanized system of production that entails more efficient and highly technical exploitation of natural resources in a highly formal and commercialized economic setting (Samita cited in Barigbon & Idoniboye-Obu, 2022). This is such that transformation from manual labor is replaced by mechanized labor and craftsmen by assembly plants.

Going further, industrialization has been the central theme of Nigeria's economic policy since 1960s. In the late 1960s, the Nigerian economy started experiencing difficulty in furthering its industrial development following the discovery, exploration and exportation of oil in commercial quantities. In early 1980s, there was economic backwardness as a result of the enormous waste associated with a public sector dominated economy. Consequently, the Nigerian governments embarked on the systematic liberalization of the economy to stimulate the private-sector dominated economy. Some public corporations were first privatized, while others were commercialized. Emphasis has shifted to the promotion of growth and development of privately owned micro/cottage, small and medium-scale enterprises (MSMEs) as a means of fostering genuine industrialization for real national economic development. Thus, micro-enterprises correspond to the philosophy of social and free markets, creativity, innovation, promotion of individual and group initiatives, self-reliance, and self-fulfillment (Onyenekenwa, 2005; Chete *et al.* 2014). According to Isiksal & Odoh (2016), industrial policy, thus, became an important instrument for stimulating rapid economic growth and development. This approach led to the country's pursuit and adoption of several policies to advance the industrialization process in Nigeria, in its quest to become an industrialized economy and self-reliant. The necessity for this quest is of paramount interest as it would serve as a means to achieve the country's macroeconomics purposes, diversify the economic base and promote economic development and growth (Adegoke *et al.*, 2020).

Notwithstanding a plethora of policies, programme and strategies including the structural adjustment programme, indigenous policy, national science & technology policy, etc., pursued and geared towards industrialization in Nigeria, the industrial segment has continued to experience setback from decades of low productivity (Tamuno & Edoumiekumo, 2012). According to Mike (2012), the outcome of these policies has been a huge failure and unpredictably, favouring 'rent seeking'. Several factors were thus established by Ekpo (2014), Chete, *et al.* (2014), & Isiksal and Odoh (2016), Ikonne and Nwogwu (2020), Adanlawo & Vezi-Magigaba (2021) and Barigbon & Idoniboye-Obu (2022) as hindering the efforts made towards industrialization process in Nigeria, including poor policy conceptualization and implementation; weak raw material base; lack of technological capability insecurity; inadequate infrastructure such as transportation, water supply, electricity supply, and telecommunications; insufficient working capital; a weak raw material base; inadequate technical manpower; lack of entrepreneurship skills; lack of access to bank loans; and corruption in the private and public sectors.

Specifically, the major objective of this paper is to examine the industrialization process through the several policies, programme and strategies employed towards the advancement of industrialization in Nigeria since

1960s, its challenges and the way forward. This study is necessary to ensure sustainable economic decisions that would enable the promotion of economic growth and development through industrialization, since the industrial sector occupies a very prominent place in the Nigerian economy.

The paper is structured into six parts. Part one contains the introduction, statement of problem, and research methodology; part two is the theoretical framework that employs Schumpeter's Innovation Theory, in order to fully appreciate the importance of entrepreneurs as innovators and catalysts for industrialization; part three deals with the efforts by Nigerian state through policies, programme and strategies pursued towards the advancement of industrialization in Nigeria; part four discusses the challenges of the industrialization process in Nigeria; part five examines the way forward in advancing industrialization in Nigeria; and part six forms the conclusion and recommendations of the study.

STATEMENT OF PROBLEM

Industrialization is a major factor in the economic growth and development of any nation. This growth and development stretches over all other sectors. In the case of Nigeria, industrialization has been the central theme of its economic policy since the 1960s. However, achieving economic growth and development through industrialization has remained a major challenge, despite the several policies and strategies including the import substitution strategy, structural adjustment program, etc., pursued and adopted towards the advancement of industrial development. The efficacy of these policies is doubtful, as they are often faced with a myriad of challenges including multiple government taxations, political instability & insecurity, lack of finance/ inadequate credit facilities, and incessant power outages, etc. All these challenges undoubtedly hinder investment and foreign investors, which in turn affect the economic growth of the country. In light of these challenges, are there any possible solution/way forward in an attempt to address the problems of industrialization in Nigeria?

RESEARCH METHODOLOGY

This study adopts the qualitative methodology which includes the narrative and descriptive method of analysis. It is arranged in thematic and chronological order. In addition, to successfully achieve the task of this study, secondary sources relevant to the study were consulted. The secondary data were obtained from books, academic journal articles, conference papers, reports, and other documented materials, etc. Relevant materials from the internet also proved useful to the study.

THEORETICAL FRAMEWORK

The theoretical framework for this study is premised on Schumpeter's Innovation Theory, propounded by Joseph Schumpeter, an economist who is regarded as the father of entrepreneurship and innovation research. The theory links the activities of entrepreneurs as innovators to be the catalysts for industrialization. It posits that innovation in business is the key for increased investments and business fluctuations. Innovation, here, means the changes in the methods of production of new products, industrial organization, new materials, commercial application of new technology and sources of energy (Schumpeter, 1989). It is the application of the knowledge acquired through science and technology investment, learning, research, or experience, to achieve production but until it is applied in the production of goods or services and translated to development, it cannot be considered as innovation (Chete, *et al*, 2014).

The disturbance of the circular flow of a nation's economy and gradual turn to a new level of development by introducing an innovation and technological change starts with the entrepreneurs who are perceived as innovators. Ikonne and Nwogwugwu (2020) maintains that the entrepreneurship is gotten through the process of innovation and through the promotion of entrepreneurship, industrialization plays a crucial role in

the achievement of economic growth and development of a nation According to Idam (2014), entrepreneurship has received increasing attention and emerged as a field of study and as an area of human endeavor, which is not only taken as an effective means of combating unemployment, poverty, and underdevelopment in developing nations but also as catalysts for building the nation's economic development (Schumpeter, 1989; Praag &Versloot, 2007). As a human endeavor, it involves the creation of innovative economic activities for the purposes of gain, investment and growth under risk and uncertainty conditions over the outcome of innovation activities, that is subject to spill overs as creative innovation are fully appropriated by the inventing firms that may produce potential returns in the future (United Nations, 2012).

This theory is necessary in examining the industrial activities and development in Nigeria. Nigeria, as the giant of Africa is blessed with human, material, agricultural, untapped mineral resources and entrepreneurship capabilities. However, in the area of entrepreneurial capabilities, the country has not fully utilized its resources and opportunities in the industrial sector to its advantage (Ikonne & Nwogwugwu, 2020). It explains why the growth of the manufacturing sector which provides opportunities for capital accumulation and technological advancement is very important in its process of economic growth and development in developing countries such as Nigeria. As all cases of rapid and sustained economic growth in modern economies have been associated with industrialization (Simandan, 2009) through the entrepreneurship innovative activities. Since, the entrepreneurs are innovator of new ideas and methods, which are responsible for the rapid economic development of a nation, the innovations must therefore be encouraged through entrepreneurship for there to be massive industrialization in Nigeria.

BACKGROUND OF INDUSTRIALIZATION POLICIES & PROGRAMMES IN NIGERA

As earlier mentioned, Nigerian government since 1960s have pursued different policies towards advancement of industrial development, given its relevance to the economy of the country. These policies including: the first national development plan of 1962–1968 which focused chiefly on import-substituting industrialization strategy (ISI). It was aimed at strengthening the Nigerian manufacturing sector by lessening dependence on foreign trade and conserving foreign exchange by producing locally products that were previously imported. It witnessed the commissioning of energy projects such as the Kanji dam and the Ughelli thermal plants, which provided a vital infrastructural backbone for the emergent industrial sector. Other important industrial infrastructure developed during this period, which was considered crucial for supporting industrial take-off in Nigeria included an oil refinery, a development bank, a mint and security company. After the first National Development Plan, came the Second National Development Plan (1970-74) which was the first systematic effort to create an industrial structure linked to agriculture, transport, mining, and quarrying. It emphasized on the upgrading of local production of intermediate and capital goods for sale to other industries (Chete *et al*, 2014; Ebomoyi, 2016; Effiong, 2022).

There was also indigenization policy of 1972 and 1977 aimed at preparing and creating opportunities for Nigerian indigenous entrepreneurs for rapid industrial development by transferring widespread ownership and control of enterprises to Nigerian citizens in respect of those enterprises formerly owned and controlled by foreigners, and encouraging foreign businessmen and investors to move from the unsophisticated spheres of the economy to areas where large investments are required (Obioma and Ozughalu, 2005; Ebomoyi, 2016; Ogbuabor, 2018; Ikonne and Nwogwugwu, 2020). Then came the Third and Fourth National Development Plan (1975-80) and (1981-85) respectively, which had its emphasis on public sector investment in industry, especially heavy industries.

In mid-1986, the export promotion industrialization strategy entrenched in the Structural Adjustment Programme (SAP) was adopted, with the hope of transforming the economy from agrarian to industrial. It

emphasized the promotion of investment, providing a base for private sector-led development, promoting the efficiency of Nigeria's industrial sector, privatizing and commercializing state-owned enterprises to promote industrial efficiency; developing and utilizing domestic technology by encouraging accelerated development and use of local raw materials and intermediate inputs rather than imported ones, and finally, the promotion of value-added non-oil exports, especially from domestic production of manufactured goods for export in order to generate more foreign exchange, and meet the country's rising import bills, mounting external debt obligations, rising fiscal responsibilities of the government, and attending to socioeconomic responsibilities (Ebomoyi, 2016; Adegoke *et al*, 2020; Ikonne & Nwogwugwu, 2020; Effiong, 2022).

The National Science and Technology (S&T) policy was also adopted. It aimed at increasing public awareness in S&T and their vital role in national development and well-being; direct S&T efforts along identified national goals; promote the translation of S&T results into actual goods and services, and to create, increase and motivate output in the S&T community. Pursuant to the S&T, the Raw Materials Research and Development Council and Standards Organisation of Nigeria (SON) were also set up for the purpose of ensuring standardization and adequate quality control in industrial production. The trade and financial liberalization policy was further adopted in 1989, to stimulate competition among domestic firms and between domestic import-competing firms and foreign firms with the objective of promoting efficiency through a reduction in both tariff and non-tariff barriers, and market determination of the exchange rate as well as the deregulation of interest rates, meant to foster financial efficiency and industrial productivity.

In addition, there were the foreign private investment-led industrialization strategy implemented since 1999 targeted at restoring investors' confidence and attracting a massive inflow of foreign capital in the industrial sector; the national economic empowerment and development strategy aimed at growing the private sector as the engine of growth for wealth creation, employment generation, and poverty reduction (Ogbuabor, 2018).

As a complement to industrial policy, the Rural Finance Institution Building Programme (RUFIN) and the Bank of industry (BOI), and National Economic Reconstruction Fund (NERFUND) were further established with the mission to open up the economy for foreign investors, accelerate and transform Nigeria's industrial sector and integrate it into the global economy through the provision of access to financial and business support services (including long-term loans, equity finances and technical assistance) to existing/new industrial enterprises, small- and medium-scale entrepreneurs, and rural populace in order to expand and improve agricultural productivity and Micro-Small Rural Enterprises and to attain modern capabilities to produce goods that are competitive in both domestic and external markets. As a complement to the BOI, small and medium industries equity investment scheme (SMIEIS) was set up, to assist in the co-ordination of the scheme with a guideline that 60 percent of the SMIEIS fund should go to the core real sector (Chete *et al*, 2014; Ebomoyi, 2016; Ikonne & Nwogwugwu, 2020). There are also agency targeted towards promoting entrepreneurship to support and improve economic development and industrialization in Nigeria, including the small and medium enterprises development agency of Nigeria established in 2003 to facilitate the promotion and development of Micro, Small and Medium Scale Enterprises (MSMEs) sector of the Nigerian economy which will serve as an avenue for poverty reduction, rural industrialization, and enhance sustainable livelihoods through wealth and job creation to facilitate national socio-economic development (Nyor and Chinge, 2014; Okereka, 2015; Ogbuabor *et al.*, 2018). This is because entrepreneurs through their innovative activities facilitates industrialization.

Consequently, the direction for the current industrial policy in Nigeria is set in the economic transformation agenda, otherwise known as Nigeria Vision 20: 2050 to enhance the development of industrialization. Before the vision 2050, there was Vision 2010, Vision 20:2020, National Economic Empowerment and Development Scheme (NEEDS). It aimed at addressing challenges in areas such as institutional linkages, capacity building, renewable energy, ventures capital, space research, small- and medium-scale industry

targeted research, knowledge-intensive new and advanced materials intellectual property rights, traditional medicine, and indigenous knowledge, and achieving greater global competitiveness in the production of processed and manufactured goods by linking industrial activity with primary sector activity, domestic and foreign trade, and service activity. This, no doubt, is of great interest in affirming economic growth and fostering industrialization process in Nigeria (Chete *et al.*, 2014; Adegoke, 2020; Barigbon & Idoniboye-Obu, 2022).

The point here is that since the 1960s, there has been attempt at various period(s) to industrialize, but it has not yielded the desired result, due to the challenges that would be examined in the next part.

CHALLENGES OF INDUSTRIALIZATION IN NIGERIA

Nigeria, as the giant of Africa is blessed with human, material, agricultural, untapped mineral resources and entrepreneurship capabilities (Ikonne and Nwogwugwu, 2020). However, the country has not fully utilized its resources and opportunities in the industrial sector to its advantage, as its realization has been hindered by a myriad of challenges and limitations that faced the abortive and unsuccessful attempts at industrialization process. The challenges including:

Inadequate Credit Facilities/Lack of Finance

The lack of finance for industrial development is a major challenge affecting industrialization process in Nigeria. The failure of most development banks to deliver on their broad goals which is to act as instrument of industrialization, social and overall economic development is alarming. This is because bank lending is the most common source of external finance for many entrepreneurs and enterprises seeking to improve their capital structures and investment needs (Medhin, 2003; OECD Report, 2015). However, while they are commonly used, their services are far from being satisfactory, as their attitude towards advancing credit facilities to industrialists, especially the SMEs is just too unacceptable and ineffective. As the World Bank observes, SMEs and entrepreneurs are less likely to be able to obtain loans, than innovative, large, and fast-growing firms and companies with a higher risk-return profile (OECD Report, 2015).

The issue lies on the inability to mobilize and make vast amounts of money available for large development projects that can actually spark off industrial and overall economic development. This is particularly the case with most national development banks that are wholly or exclusively funded by national governments. In what follows is the lending at very high interest rates and inappropriate loan terms (Lazzarini; Gutierrez *et al.*, cited in Ogbuabor *et al.*, 2018).

The resultant effects of inadequate credit facilities include the non-affordability of the economic quantity of raw materials, payment of poor workers' salaries leading to workers being disgruntled and ineffective, accommodation problems and accumulated rents, credit purchases, and sub-standard packaging of products.

Lack of Technological Capacity

The main goal of the ISI strategy was to stimulate the start-up and growth of industries as well as enhance indigenous participation by altering the ownership structure and management of industries, however, it was characterized by a high degree of technological dependence on foreign knowhow (machinery and raw materials) to the extent that the domestic factor endowments of the country were grossly neglected (Chete *et al.*, 2014).

For instance; during the Second National Development Plan (1970-1974), the establishment of costly industrial projects in sectors such as iron and steel, cement, salt, sugar, fertilizer, pulp and paper, which was motivated by the need to increase the earning power of the populace; to minimize social tension by

generating more employment; to make essential goods easily available; and to lay the foundation for a self-sustaining economy, did not pass beyond the elementary stages as a result of the shallow nature of Nigeria's technological capacity. Thus, almost all of these projects have today either been shut down or operate at very low capacity (Oyelaran-Oyeyinka, 1997; Chete *et al*, 2014), which depicts that the country entered into industrial project with very little concern for the country's capabilities for technology acquisition.

This lack of technological capacity results to over dependence on foreign technology and machines being imported from other countries which are usually very expensive, and this hinders potential industrialists from venturing into production.

Inadequate Infrastructures

Barigbon & Idoniboye-Obu (2022) noted that infrastructure is the wheel or fulcrum of industrialization, and as such any economic diversification towards industrialization requires investment in infrastructure. However, the current infrastructure base in Nigeria is grossly inadequate in terms of capacity and quality and is not capable of catering for the anticipated industrial development. Nigeria still has huge infrastructural deficit (Chete *et al*, 2014), which as at 2021 stands at USD 100 Billion (Oyelaran-Oyeyinka cited in Barigbon & Idoniboye-Obu, 2022). The country lacks facilities such as good road network, water and rail transport facilities, communication facilities, and, most importantly, electricity supply despite government investments. The absence of these infrastructure, no doubt, contributes to the non-competitiveness of goods produced in Nigeria, and thus make imported products cheaper.

Government Taxations

There are, thus, many cases of multiple, and often illegal, industrial taxation demanded by purported state government tax officials. According to Olufemi's report (2023), although tax remittance is a significant source of revenue generation that helps the government to meet its statutory obligations, its multiplicity and duplication by government agencies has turned it into a clog in the wheel of progress for micro, small and medium scale businesses. Some entrepreneurs who fail to pay them are intimidated to the extent of being dragged to court or have their business shut down. Undoubtedly, this discourage industrialization and create a handicapping, far from an industrially friendly business environment.

Illiteracy and Inadequate Skilled Manpower

Education influences the technical know-how and managerial competence of industrialists, such as SMEs operators (Adanlawo and Vezi-Magigaba, 2021). However, in Nigeria, the illiteracy rate is high. This situation is worsened by the lack of adequate technical education in secondary schools and universities.

On the part of skilled manpower, what is required for high industrial growth is grossly inadequate in Nigeria. For instance; during the 1970s industrial development, the significant limitation was not so much that of finance but dearth of human capital including techno-managerial capabilities and skills required for initiating, implementing, and managing industrial projects. It was evident by the fact that project preparation, feasibility studies, engineering drawings and designs including construction, erection, and commissioning, relied heavily on foreign technical skills and services.

Political instability & Insecurity

According to Ebomoyi (2016), Nigeria has continued to suffer a crisis of legitimacy as a result of the political instability regimes, changes and the re-adjustment in the body politics with multiple partism failing to deliver the democratic dreams. On the other hand, the internal security of Nigeria has become a very threatening situation which have continuously hindered economic activities in the country. Internal

conflicts, including religious, ethnic and economic, terrorists' activities, violence and Boko Haram insurgency have had harsh effects on the economy (Adebayo, 2004; Chete *et al.*, 2014). For instance; it discourages many industrialists/entrepreneurs especially in the Northern part of the country who have vacated their enterprises, and more particularly, discourage and affect the business confidence of both domestic and foreign investors to Nigeria as an investment destination (Golley & Ejairu, 2019).

Electric Power Supply

Electricity supply is a necessity for the basic production of goods and services by small and medium-scale operators (Adanlawo & Vezi-Magigaba, 2021). It is the foremost driver of industrial development, which results in economic growth (Doe and Asamoah, 2014). It ensures the development of new enterprises and rural SMEs to modernized ones (Duru and Yusuf, 2017). However, in Nigeria, this is not the case, as power outages have continued to frustrate many business activities (Adewuyi and Emmanuel, 2018) and have further led to migration of many business organizations from Nigeria to different nations (Olatunji, 2019). The incessant power outages experienced by residents of major towns have led to the near collapse of many businesses and social activities. Most small and medium enterprise operators, including artisans, hairdressers, technicians, cyber cafes, restaurants, food vendors, and cold room owners among others are most affected by power outages, as their effective productivity depends on power supply (Doe and Asamoah, 2014). This has limited most industries expansion, as they cannot afford the procurement and running costs of standby set generator. More so, the availability and affordability of fuels for generating sets can no longer be guaranteed, either due to frequent scarcity or increases in the pump price of petroleum products in Nigeria. Apart from the negative effects of this situation on SMEs, the nation loses billions of naira due to unreliable power supply and inadequate and inefficient fuel distribution (Okezie *et al.*, 2017). According to Iwayemi (2018), the Nigerian economy recorded a total loss of output estimated at 71 trillion naira in terms of gross domestic product (GDP) between 1999 and 2015 due to power outages.

Land, Industrial Plots and Industrial Estates

The land tenure system practiced in Nigeria, for instance, in the Southeast zone have denied many new SMEs the land to take off, while the existing ones lack the land for expansion. Farming sites with irrigation systems and other necessary facilities are lacking, whereas those previously provided have broken down long ago and have lost access to roads. Industrial plots are not available, and where the government has mapped out some, they lack in the necessary infrastructures, such as access roads, electricity, and pipe-borne water. Unfortunately, only one industrial estate in Enugu, built in the early 1960s by the government of the Eastern Region, is operational across the entire zone. A visit to the innumerable artisans, automotive service industries, industrial machines fabrication and other enterprises in the Coal Camp in Enugu, for example, will reveal congestion unconducive for industrial growth and expansion. Undoubtedly, this dearth of industrially prepared environments has rendered many industrial dreams void, snuffed life out of many industrial aspirations, and annihilated many industrial projects that could have otherwise grown into gigantic industries (Onyenekenwa, 2005; Okezie *et al.*, 2017).

Corruption

Corruption, according to Golley & Ejairu (2019), is the cog in the Nigerian wheel of progress and development. The causes of corruption in Nigeria have been identified to include social insecurity and over-centralization of resources at the centre. As a result, Nigeria ranks highly in the Corruption Perception Index. This has tremendous effect for investment and foreign Direct Investment (FDI) flows into the country.

THE WAY FORWARD

This section puts up some possible solutions in an attempt to address the challenges of industrialization

process in Nigeria. They are:

Trade Openness

In developing countries, the role of trade in stimulating industrialization and economic development cannot be overemphasized, where production activities heavily depend on imported inputs. The development of industrial sector can be determined by trade openness. Trade openness has a significant potential to promote industrialization and thereby leads to the economic growth of the Nigerian economy. This increase of Nigeria's level of trade with the rest of the world would create opportunities to export local raw materials and import necessary inputs into the industrial process. It stimulates industrial development by making inputs available for domestic production. It enhances the integration of a nation's trade regime into the global economy requiring opening up of the external sector to the international community and the dismantling of international trade barriers. (Dean, cited in Adegoke, 2020). It promotes competition, support international trade and specialization, drives the process of economic growth and development and thereby enhancing market efficiency (Fratzcher & Bussiere, 2004). It accelerates technological innovations in industrial countries leading to more investment in product development. (IMF, 2010). This played a predominant and important role in the economic growth of countries like China, Korea, Taiwan, Indonesia, Soviet Union and Japan who were backward until large scale industrialization was introduced. It is therefore submitted that the increase in trade and the transmission of techniques which industrialization proposes are necessary ingredients for the industrial development of the Nigerian economy in attaining economic growth. The challenge, however, is whether Nigeria can take up the advantages of trade openness while at the same time minimize the disruptive consequences of industrialization on economic growth. As no nation can survive on its own, this challenge would translate into the Nigerian system by assessing its macroeconomic strengths and weaknesses with a view to optimizing available opportunities and realizing the goal of industrialization. To be successful, Nigerian economy should be competitive and dwell in their factor endowment along with strong institutional framework. (Adegoke *et al.*, 2020)

Trade Policy

While Nigeria take up the advantages of trade openness as already discussed, it is necessary to adopt appropriate policies to improve trade performance as well as industrial advancement to foster economic growth of the country. Such trade policies like scale efficiency which is increased through expanding the scope of domestic industrial sector and market which otherwise might be too small for the efficient production of goods that show increasing returns to scale. Thus, a more liberal trade regime which causes increased competition in the world market (abroad forces) and further boosts domestic firms to adopt more efficient technology to reduce inefficiency and waste. (Adenikinju & Olofin cited in Adegoke, 2020). In addition, a policy that will be crafted within the context of the present realities in the global economy of support local industries and encourage the local sourcing of industrial raw materials is also needed in the advancement of industrialization in Nigeria (Ebomoyi, 2016).

Access to Capital

As already identified that lack of finance or inadequate credit facilities is one of the challenges of industrialization. Loans are boosters that increase the speed and volume of business growth. According to OECD Report (2015), & Medhin (2022), it is necessary to expand the range of financing instruments available to SMEs and entrepreneurs, in order to enable them to continue to play their role in investment, growth, innovation and employment. To expand the Nigerian economy, the government should expedite measures that would enable industrialists, especially SMEs, to have access to uncollateralized capital at affordable interest rates.

Political Independence of Development Banks and other Financial Institutions

The structure and operations of the development Bank must be properly articulated for it to adequately discharge its responsibilities towards a more industrialized Nigeria. There is often interference of state in the affairs of the Bank. This should not be so, rather, should be such that will be distinct and independent from political interference. The political independence is necessary so that they will have the free hand to deliver on its mandate of development financing, especially for the MSMEs in the informal sector. This will in the long-run enhance investors' confidence. The Bank should stick to its core mandate of development financing and enhancing the fortunes of micro, small, and medium enterprises (MSMEs), and therefore seek to raise funds from a wide variety of sources such as through bonds, pension funds, multilateral financial institutions like the World Bank or through loan syndication. Its lending activities should always be guided by its ultimate goals of not only enhancing the fortunes of the MSMEs but also driving industrialization and overall economic development underpinned by creation of employment, creation of wealth, reduction of poverty and diversification of industry. This will enable it to undertake large industrial and economic developmental projects like rail and other transportation projects, pipeline projects, power generation projects. (Lazzarini; Gutierrez *et al.*, cited in Ogbuabor, 2018).

One of the ways of achieving this, is to ensure that there is a clear process for appointing and removing the officials of the Bank which cannot be manipulated or controlled by any individual politician.

Government Patronage of Locally Made Products

The government's preference to imported goods, rather than patronizing locally made goods is alarming. According to Adegoke (2020), importing technology and raw materials should be the focus of policy makers rather than importing manufactured goods which lower the economic growth of the country. Indeed, there is hardly any imported product that one cannot find its local substitute made by small-scale industrialists in Nigeria. However, these products may be substandard, hence, the resort to foreign goods. In this sense, there is need for government to support and encourage local production improving the agricultural sectors which can guarantee enough raw materials for industrial production.

Industrial Production Strategy

The industrial linkages and production subcontracting has become a driving force in contemporary industrial development strategy. It is necessary for the industrialists to adopt this strategy. This is promoted by the participation of small entrepreneurs who are largely involved in production subcontracting-an industrial production strategy which could be used to launch a developing economy like Nigeria into the desired industrial nation. Such promotion could be in the form of government getting involved in the setting, facilitating joint ventures between large and small scale enterprises; or the setting up of small business units producing parts or sub assembly of products for large firms (Ajayi, Abumere cited in Ajayi, 2011)

Regional Integration

Industrialization is crucial for Nigeria's development, and the implementation of the Africa Continental Free Trade Area (AFCFTA) could provide crucial impetus in the coming years. To benefit from AFCFTA liberalization, many countries, such as Nigeria, are developing complementary industrialization policies to develop regional value chains in automotives, garments, etc. In addition, Nigeria needs to raise its game on standards, customs procedures, and other trade facilitation measures, as vital complements to make use of market access opportunities (Dirk, 2021).

Human Capital Development

According to Popoola in Akinlo *et al.* (2021), human capital is the acquisition of individuals' knowledge, ideas, talent, and other invisible assets that can be used to create economic value. Akinlo and Oyeleke (2020) notes that it is a crucial element in the research sector, and the engine behind the production of new ideas that underpin technical progress. Therefore, a well-equipped human capital base should be developed as it is predicted to be a primary driver of industrial productivity in Nigeria that will promote the industrial innovation needed for long-term development.

Regulatory Initiatives and Education

The government should design and implement effective regulations to guarantee and balance financial stability, protect investors, and open new financing channels for industrialists. The regulations should be targeted at enforcement measures, and promotion of an economy dependent on natural resources, high value manufacturing industries such as industrial automation and services. Incentives such as tax holiday, excise duty, duty draw back, pioneer status etc., should be put in place to encourage the export of locally made goods.

In the area of education, the government should increase investment in education and establish schools in collaboration with the private sector where technical courses are taught with more emphasis on practical than theories, in order to provide solid foundation for industrial economic growth (Ebomoyi, 2016). The education is necessary not just for the training of the workforce but also, as a basis for further research on the transformation process of industrial activities, which would enable upgrade within the same industry and improve the domestic and international stance.

CONCLUSION AND RECOMMENDATIONS

This paper undertakes to explore the challenges of industrialization and the way forward in Nigeria. To achieve this, the paper examined the various attempts towards industrialization process through the pursuing and adoption of several policies, programme and strategies since 1960s. The paper also discussed the challenges that hindered the eventual efforts at industrialization, including lack of finance, and incessant power outages, etc. It also provided some possible solutions/way forward to address industrialization challenges in Nigeria. In the light of these discussions, the study submitted that industrialization enhances economic growth and development of any nation. This is obtainable when the enabling environment is created and enabled for the appropriate and adequate implementation of the industrialization policies but when it is not so, they are, thus, implemented in an unsystematic fashion, and then would fail to meet the expected industrialization target. However, in the process of using industrialization to facilitate and promote economic growth, the Nigerian governments have neglected the need to establish industries that are most suitable for their environment. In this sense, the innovative activities of entrepreneurs and SMEs as established by Schumpeter's theory of innovation are of utmost importance. It, therefore concludes that the Nigerian industrial sector has a weak base which makes it difficult to compete favourably with her foreign counterparts.

Therefore, it is recommended that the government should formulate and adopt policies that would encourage trade performance, local manufacturing, self-reliance and entrepreneurship among citizens as well as industrial advancement to promote economic growth. Mechanized agriculture should be encouraged to support the manufacturing and industrial sectors. There should be expansion and utilization of the nation's industrial capacity in order to create employment opportunities for the labour force, which will reduce unemployment and contribute to the growth of the economy of the country. Since industrialization facilitate economic growth through the innovative activities of entrepreneurs, government should encourage

innovation through entrepreneurship by expanding the range of financing instruments available to SMEs and entrepreneurs to enable them continue their role in investment, growth, innovation, and employment. The government should create an enabling business environment for the industrialization base that is required to diversify its economy.

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