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The determinants of manufacturing sector growth performance in Nigeria, 1972 - 2002

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Abstract

This paper explores the determinants of growth performance in the Nigerian manufacturing industry during the period 1972 to 2002. The econometric evidence confirms that index of openness, exchange rate deregulation policy, domestic capital formation are positively related to manufacturing growth performance. The findings show that domestic capital formation is very significant in explaining variations in manufacturing value added. Expectedly inflation rate has a negative effect on manufacturing productivity. Contrary to a priori expectation, the manufacturing capacity utilisation and real per capita income have a significant negative impact on the growth performance of the manufacturing sector. The findings show that political stability is a significant variable in explaining manufacturing output expansion. The policy implication of the findings is that, improving capacity utilisation in the manufacturing sector, reducing inflation rate and ensuring stable macroeconomic environment as well as guided exchange rate and deregulation policy are crucial options that have to be adopted for manufacturing sector growth to be enhanced. It is noteworthy that policy reforms to enhance the process of domestic capital formation should be introduced as a means of promoting manufacturing sector growth performance in Nigeria.

Introduction

The role of manufacturing in transforming both the social and economic framework of any economy cannot be underplayed. It possesses huge potential for employment generation and wealth creation. It helps to boost agriculture, aids diversification of the economy and encourages fuller utilisation of available resources. It also enhances foreign exchange earnings and minimises the risk of overdependence on the external sector for growth and sustenance. Over the years, Nigerian government has recognised fundamental roles that the manufacturing sector can play in the economy. Consequently various policy measures and programmes have been designed and executed to enhance productive efficiency. Of note is the adoption of the structural