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SOCIAL EFFECTS OF INDUSTRIAL POLICY IN NIGERIA: A SOCIO-ECONOMIC ANALYSIS

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ABSTRACT

To bolster the Nigerian economy's industrialization efforts, successive governments have devised and enacted various industrial policies for sustainable economic development. Therefore, using structural functionalist approach and secondary sources of data, the paper examined the social effects of industrial policies in Nigeria, with a focus on their socio-economic implications. The paper revealed that recent industrial policies in Nigeria includes fuel subsidy removal, national blockchain initiatives, exchange rate unification, Structural Adjustment Programme, economic recovery plans, and COVID-19 stimulus packages among others. The paper also revealed that industrial policies however yield both positive and negative effects on citizens' livelihoods, as well-executed industrial policies have the potential to generate employment opportunities, increase productivity, and foster overall economic development. The paper identified obstacles to policy implementation in Nigeria to include corruption, political inertia, political instability, privatization challenges, technological limitations, and inadequate infrastructure among others. The paper therefore recommended among others that combating corruption is very important for effective policy formulation and implementation in Nigeria. It also advocates for policies that promote trade and economic integration on the international stage, emphasizing the necessity of collaboration with developed nations to maximize the societal benefits of industrial policy formulation.

KEYWORDS

Industrial Policy, Social Effects, Socioeconomic Analysis, Industrial Sociology, Nigerian Government.



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INTRODUCTION: -

The concept of industrial policy entails government interventions aimed at enhancing the business environment or reshaping economic activity towards specific sectors, technologies, or tasks to foster economic growth and societal well-being. It is defined as a strategic state's effort to promote the development and expansion of a particular sector of the economy (United Nations Conference on Trade and Development, 2009). Historically, Nigeria has pursued an industrial-led economic model since pre-independence, recognizing the potential of industrialization to drive growth and development. Consequently, various strategies and reforms have been implemented in post-independence era to bolster the industrial sector's growth and development (Okoye, et al., as cited in Akinwale & Oludayo, 2019). These include Import Substitution Strategy, Export Promotion Strategy, Local Resource-Based Strategy, Nigerian Indigenization Policy, trade and financial liberalization, and Structural Adjustment Programmes (SAP), among others (Akinwale & Oludayo, 2019). These initiatives aimed to integrate the Nigerian economy globally, enhance industrial production capacity, and position the industrial sector as a key driver of sustainable growth.

Despite these policy efforts, concerns persist about the industrial sector's contribution to Nigeria's Gross Domestic Product (GDP), even following President Ahmed Bola Tinubu's recent removal of fuel subsidies. Consequently, the Nigerian economy grapples with challenges such as high poverty and inflation rates, increasing rate of unemployment, insecurity, over-reliance on crude oil at the expense of agriculture and manufacturing, excessive dependence on imports, and trade deficits. These challenges cast doubt on the effectiveness of Nigeria's various industrial and government policy formulations. Therefore, this paper attempted to scrutinize the social impacts of industrial policy in Nigeria through a socio-economic analysis perspective.

Materials and Methods

To achieve the aim of the paper, data were collected and systematically reviewed from various secondary sources, including peer-reviewed journal articles, publications from international governmental and non-governmental organizations, federal government reports, Manufacturers Organization of Nigeria (MAN) publications, online sources, textbooks, and news media such as newspapers and magazines.

Literature Review

The literature review for this paper was conducted with a focus on the following areas:

Conceptual Overview

This paper explains the concepts used within its scope as follows:

Global Industrial Policies

According to Umar (2023), countries have employed industrial policy for centuries to foster economic growth and development by strategically altering their domestic economic structure. Industrial policy is driven by long-term objectives, which can include goals such as growth, modernization, or industrialization. It aims to influence relative prices across sectors or allocate resources to specific activities to reshape the long-term composition of economic activity. Recent initiatives like the U.S.'s CHIPS for America Act or China's Made in China 2025 indicate a resurgence of industrial policy, as noted by Juhász et al. (2023). Industrial policies are more prevalent in high-income industrialized countries, with about five times as many policies implemented

compared to low- to middle-income economies. While middle-income industrial economies like BRICS utilize industrial policies, they are rare in low-income countries and often ineffective. As high-income countries increasingly adopt industrial policies, lower-income countries may struggle to compete in global markets due to disparities in fiscal and administrative capacity (Umar, 2023). Additionally, sophisticated non-tariff measures pose challenges for low- to middle-income countries in implementing industrial policies effectively. West and Lansang (2018) compared manufacturing performance across 18 countries using 20 indicators and found disparities compared to the United States.

Speering (2018) challenges a new IMF report suggesting that countries no longer need to rely on manufacturing for productivity growth, providing five reasons why manufacturing remains crucial for economic growth. Hauge and O'Sullivan (2019) highlight the significant contribution of manufacturing to the UK economy, accounting for over 2.7 million jobs and 49% of exports despite constituting only 9% of GDP. Manufacturing remains integral to daily life, providing 90% of consumer goods. Sokolov and Bazhanov (2021) analyzed the development of manufacturing industries in the Asian part of Russia, noting variations in industry development across different regions.

Brief Overview of Nigerian Industrial Policies

The Federal Ministry of Industry released the "Industrial Policy of Nigeria" document on January 14th, 1989, with the aim of propelling industrial growth in the Nigerian economy. Comprising seven chapters, the document delves into various aspects of industrial development and policy frameworks.

According to Umar (2023), chapter one scrutinizes the post-independence structure, characteristics, and challenges of the manufacturing sector, providing a rationale for government intervention. Chapter two delineates policy objectives, strategies, and measures essential for fostering growth. Chapter three introduces a package of incentives designed to attract local and foreign investors, including fiscal instruments, import tariff protection, export promotion, foreign currency facilities, and development banking.

Chapter four outlines the requirements for establishing businesses and industries in Nigeria, while chapter five focuses on the institutional framework, detailing the roles of governmental agencies. Chapter six discusses the rationale behind reviewing the Nigerian Enterprises Promotion Decree (NEPD), and the final chapter covers laws and regulations applicable to local and foreign investors (Umar, 2023). The document attributes post-independence dominance of assembly-type manufacturing to factors such as import substitution policies and low private sector participation due to a lack of technological skill and heavy capital outlay. This led to government initiatives in industrial projects. However, poor returns prompted the Structural Adjustment Programme (SAP) to restructure the economy. Numerous development plans, including the First to Fourth National Development Plans, NEEDS, and Vision 20:2020, have incorporated industrial policies. Major industrial policies in Nigeria include Import Substitution Industrialization (ISI), Nigerian Indigenization Policy, SAP, Trade and Financial Liberalization Policy, SMIEIS, BOI, NEEDS, NIID, and ERGP 2018.

Most reports indicate that while some policies had impact, many fell short of expectations. Efforts to transform Nigeria's economy from non-industrialized to industrialized have faced challenges, leading to a decline in the industrial sector's contribution to the national economy. Industrial sector policies in Nigeria are predominantly national, with occasional adjustments to address local needs. Before

independence, industrial activities were mostly in non-manufacturing sectors, providing raw materials for local industries and export. Various incentive packages have been implemented to encourage investment in the industrial sector, including tax holidays, tariff protection, investment guarantees, export incentives, and COVID-19 stimulus packages. Recent policies include the national blockchain policy, removal of fuel subsidy, and unification of exchange rates among myriad of others (Umar, 2023).

Theoretical Framework: Structural Functionalism

Structural functionalism, in sociology and other social sciences, is a school of thought according to which each of the institutions, relationships, roles, and norms that together constitute a society serves a purpose, and each is indispensable for the continued existence of the others and of society as a whole. Proponents of structural functionalism such as August Comte, Herbert Spencer, Emile Durkheim and Robert K. Merton among others however believe that social policy is a way to keep society functioning, as it addresses problems within the social system of the economy and helps to maintain social solidarity. According to the functionalists, the state acts in the best interests of society and uses social policies for the overall good of everyone.

Structural functionalism as a sociological theoretical framework sees society as a complex system whose parts work together to promote stability and integration. It emphasizes the importance of social institutions in producing a stable society but it is skeptical of rapid social change as also been criticized to be conservatively biased and its failure to account for social change. It is however relevant to the subject matter of this paper in the sense that structural functionalism explains how various aspects of industrial policy, such as economic regulations, labour laws, and trade policies, work together to maintain the stability and functioning of the industrial system within a society. It focuses on how these policies serve specific functions for the ongoing health and stability of the industrial sector and the society as a whole, similar to how other social institutions serve specific functions in economic growth and development.

Challenges Affecting Industrial Policy in Nigeria

Numerous obstacles hinder industrial policy formulation and implementation in Nigeria, which lags behind other nations in terms of industrialization and societal impacts. Some significant challenges as highlighted by Ukpe (2023) include but not limited to the following:

Corruption: Corruption negatively impacts industrial policy by undermining governance, distorting public policy, and diverting resources. It hampers private sector development and has impeded the growth of the Nigerian economy, affecting sectors like oil and gas, which are vital revenue sources.

Political Instability: Periods of authoritarian military rule and subsequent political instability have disrupted industrial policy implementation. The transition to democratic rule in 1999 was slow, particularly impacting the manufacturing sector's contribution to GDP. Weak bureaucracies and non-diversified economies further hinder effective industrial policy formulation. For instance, some policies formulated by incumbent government can be jettisoned or treated with levity by successive administration leading to defeat in its original aim and objectives.

Electricity Outages: Nigeria faces significant power supply challenges, hindering industrial growth and productivity.

Transport Bottlenecks: Inadequate transportation infrastructure impedes industries' access to raw materials, markets, and resources.

Crime and Corruption: These factors create an unfavorable business environment, deterring investment in the industrial sector.

Ineffective Economic Policies: Ineffective economic policies have hampered growth and productivity in Nigeria's manufacturing sector.

Lack of Integration: The manufacturing sector struggles to integrate with other industries, limiting its growth potential.

Low Level of Inter-Industry Linkages: Absence of heavy industries and car manufacturing inhibits the transfer of technology and knowledge within the manufacturing sector.

Privatization and Commercialization Challenges: Challenges in privatizing and commercializing industrial concerns affect the development of the industrial sector.

Security Challenges: Widespread insecurity and inter-ethnic religious crises create a hostile environment for industries, discouraging investment.

To overcome these challenges, the Nigerian government and policymakers must focus on improving the power sector, tackling corruption, implementing effective economic policies, fostering inter-industry linkages, and addressing security concerns. Addressing these issues can propel Nigeria towards reindustrialization and enhance the performance of its manufacturing sector.

Social Effects of Industrial Policy in Nigeria

The industrial policy in Nigeria aims to achieve greater global competitiveness in the production of processed and manufactured goods. This policy is part of the economic transformation agenda, with the objective of creating employment opportunities and stimulating social and political development. The industrial sector in Nigeria accounts for a small percentage of economic activity, and the manufacturing sector's contribution to GDP is relatively low. The chief objective of the national industrial policy is to achieve an accelerated pace of industrial development for the country by making the industrial sector the main source of strength for the economy and providing greater employment opportunities to stem the social and political consequences of unemployment (Ukpe, 2023).

Thus, the social effects of industrial policy in Nigeria include the potential for job creation, especially in small and medium enterprises (SMEs), which can help alleviate unemployment and its associated social and political consequences. By prioritizing SMEs, the industrial policy aims to generate employment and stimulate social development. However, the effectiveness of industrial policy in achieving these social objectives depends on various factors, including the country's economic and political environment (Ukpe, 2023).

Socio-Economic Analysis of the Social Effects of Industrial Policy in Nigeria

The incessant stoppage of work owing to weak industrial policies manifesting in incessant industrial conflicts has a lot of socio-economic implications on the industrial development of Nigeria. No matter the logics behind industrial rifts, it is obvious that there are attendant socio-economic misfortunes. While to an economist, weak industrial policy causes economic fracture, which has serious negative economic consequences, to a sociologist, poorly executed industrial policies can cause a dislocation in

the sociological importance of work as well as the socialisation process. Economically, strikes and other forms of industrial conflict and work stoppages obliterate the desired growth and development in the economy. This effect is twofold: while it hinders national productivity, it on the other hand, scares away the needed foreign investment. Human productivity is an important index in calculating national productivity. This is because it is the human element that transforms all other resources toward achieving an increased national productivity.

However, trade disputes and conflicts instigate work stoppages, which result in man-days lost. Thus, when labour productivity depreciates, in form of man-days lost, it automatically results to a reduction and loss in productivity which affects the nations Gross Domestic Product (GDP) as well as the Gross National Product (GNP). Incessant strikes are a reflection of the unhealthy nature and structure of our industrial society. Thus, foreign investors are scared away, and are not encouraged to invest in an environment of unstable industrial peace and harmony, where their return on investment will be distorted as a result of strikes and work stoppages (Wokoma, 2011). Sociologically, industrial conflicts, strikes and work stoppages have serious consequences. Foremost, we need to understand that work is a fundamental connection among humans, creating the basis for social integration (Durkheim, 1960). Grounded on the demonstrable societal significance of work as an elementary human condition, and as a principal means to fashion and preserve mores (socialisation), we could agree therefore with the submissions of Mohammad et al., (2009) what asserted that beyond the mere provision of income to cover basic needs, it is through the social bonding of work which links individuals to society, gives them social standing and status, serves as a basis for the construction of their personal identity. Given our cultural heritage, work is for most an existential necessity, providing livelihood and meaningful life.

Discussion of Findings

A critical analysis of the above reveals that work is a necessary social activity which provides a sense of societal belonging, a sense of self-worth and above all, a sense of living to a worker. This is in line with Armstrong (2009) position that to most people, to work is to earn a living and to make money. But they also work because of the other satisfactions it brings such as doing something worthwhile, a sense of achievement, prestige, recognition, the opportunity to use and develop abilities, the scope to exercise power, and companionship. Based on the foregoing, one can now understand why a professor in one of the Nigerian universities had to become a motor park tout agbero during the protracted industrial face-off between ASUU and government in 2009! Furthermore, unremitting work stoppage, owing to weak industrial policy, alienates man from other men in the industrial society. This results to a break down in the socialisation function that industries serve. Another social cost of weak industrial policy is that it paints a bad image and casts a social stigma on parties involved in industrial struggles (Fashoyin, 2007).

Weak or unimplemented industrial policy resulting especially in frequent and prolonged industrial strikes, make the society to have a bad or negative judgment of the parties involved. For instance, ASUU has numerously been adjudged as a group of greedy, egoistic folks who are only after their selfish interest, owing to their frequent and often protracted strikes. On the other hand, their employers, the government, have been labelled a bunch of insensitive lots. It becomes obvious from the above background and analysis that weak industrial policy serves as a constraint towards the social development of Nigeria. Furthermore, President Tinubu abolished the fuel subsidy, which had been a source of corruption, inefficiency, and fiscal burden for decades. The subsidy had cost the government over N1 trillion annually while benefiting mainly the wealthy and the smugglers. So, the removal of the subsidy is expected to free up resources for infrastructure, health, education, and social

welfare programs, as well as encourage private investment in the downstream sector of the oil industry. The price of fuel has since more than doubled from an average of about N185/litre to an average of about N680/Litre depending on where you are buying from. And this has increased the rate of inflation in Nigeria leading to high cost of living, increased poverty level, increasing rate of crime and unemployment in the country among other emerging multiplier effects of the fuel subsidy removal (Ukpe, 2023).

According to Ukpe (2023), in a significant policy shift, President Tinubu announced his government's decision to unify the exchange rate, replacing the previous multiple exchange rate regime implemented during the administration of former President Buhari by the Central Bank of Nigeria (CBN). The move is expected to enhance transparency, reduce distortions, and boost confidence in the naira. The unified exchange rate is now determined by market forces, with the CBN intervening only to smooth out volatility. Also, according to the national blockchain policy, blockchain adoption in Nigeria has many benefits, which include strengthening the digital economy, expanding financial inclusion, enhancing transparency and accountability, and promoting job creation but can also create room for cybercrime such as "yahoo yahoo" and money laundering among others.

Conclusions

The current state of industrial policy in Nigeria is characterized by a history of well-formulated but poorly executed policies. The Nigerian Industrial Revolution Plan (NIRP) is one of the most comprehensive industrial policies in the country's history, but its execution has been lacking. Nigeria has struggled with the implementation of industrial policies due to a lack of political will. The country has a history of industrial policies that have not been effectively implemented, despite their potentials to stimulate economic growth and development. The industrial sector in Nigeria accounts for a small percentage of economic activity, and the manufacturing sector's contribution to GDP is relatively low. The government's industrialization strategy aims to achieve greater global competitiveness in the production of domestic and foreign trade and service activity. However, the effectiveness of industrial policy in Nigeria is contingent on the government's commitment to implementation which have invariably been affected by challenges such as a weak policy environment, inadequate infrastructure, low levels of technology, and the small size of available indigenous manufacturing firms. Corruption has also impeded the functioning of the public sector and the economy, affecting industrial policy implementation.

Recommendations

Arising from the above therefore the paper suggested the following recommendations:

However, addressing corruption is crucial for the development of the industrial sector in Nigeria. The Nigerian government and policymakers need to implement effective measures to combat corruption, such as strengthening anti-corruption agencies, improving transparency and accountability, and promoting ethical business practice. Moreover, the impact of political instability on industrial policy in Nigeria underscores the need for sustained political stability to support the formulation and implementation of effective industrial policies and the overall development of the industrial sector.

It is also highly recommended that government should formulate and implement policies that will advance trade and economic integration between the country and international countries in order to enable industrial sector enjoy the opportunities of foreign cooperation. More credit should also be given to the industrial sector my financial institutions and government should ensure that more budget is allocated in the provision of major infrastructural facilities that will support the activities of the industrial sector.

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