IMPACT ON BANK LENDING ON INDUSTRIAL DEVELOPMENT IN NIGERIA: 1999-2008

BY

EGBUTU IJEOMA .J.

PG/MBA/08/53042

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE MASTERS DEGREE (MBA) IN BANKING AND FINANCE.

DEPARTMENT OF BANKING AND FINANCE FACULTY OF BUSINESS ADMINISTRATION UNIVERSITY OF NIGERIA ENUGU CAMPUS

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APPROVAL PAGE

This project has been approved as meeting the requirement for award of a masters Degree in Banking and Finance in the University of Nigeria Enugu Campus.

By

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DR J.U.J. ONWUMERE	**DR. J.U.J ONWUMERE**
SUPERVISOR	**HEAD OF DEPARTMENT**

____

EXTERNAL EXAMINER

DEDICATION

This project is dedicated to God Almighty, the creator of the whole Universe, my Helper and Giver of life, my family members, all my friends and Nigeria.

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The researcher owes a lot to the authorities of University of Nigeria Enugu Campus for accommodating me in this tasking programme. My thanks goes to the present Head of Department, Banking and Finance, Dr. J.U.J. Onwumere, for his kindness. He contributed immensely towards making possible the successful completion of this project.

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Finally, my thanks goes to the officers in both Enugu State and National library boards who were helpful in making available to me most of the materials with which I did the literature review.

Egbutu Ijeoma .J.

ABSTRACT

This study was carried out to examine the impact of banking lending on industrial development in Nigeria. The objectives of the study was to examine the impact of bank lending on industrial development in Nigeria and to examine the relationship between bank lending and employment in the industrial sector. The method used in gathering data for this study was from publication of the Central Bank of Nigeria and the Federal office of statistics. The method used in testing hypothesis was analysis of variance (ANOVA) and regression analysis. Data was analyzed into gross domestic product and loan from 1999 to 2008. At the end of this work, the researcher made the following findings: (a) Industrial development will be achieved through promotion and encouraging of the small and medium scale industries in the country. (b) The industrial sector in Nigeria has been largely stunted in growth, since the era of the failed import substitution strategy of the 1960s. Also the researcher made the following recommendation; (a) Financial assistance could be extended by banks as part of the preventive measure. (b) The policy of the import substitution and export promotion should be stipulated by the government to encourage infant industries. (c) The findings are expected to provide insight into likely contemporary policy choices facing a typical Nigeria economy in the pursuit of an export led industrialization strategy.

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CHAPTER ONE
INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Industries are found both in developed and developing nations of the world, and they form the bedrock of economic development of any country and essentially their impact is felt round the world.

Through bank lending, the industrialization development in Nigeria will grow from small scale to medium scale and to large scale industry.

Ekukanam (1999), notes with deep concern that development of industries in Nigeria will provide solution not only to the basic economic problems but also to social problems like unemployment, poverty and over dependence.

The development of industries through bank lending is not just an effective way of contributing to the diversification and development to the economy and thus the standard of living but also one of the principal means of attaining social and political emancipation of the people of the society.

Bank lending is a catalyst for industrial and economic development. This simply means that bank lending is directed towards stimulating and facilitates economic growth. Banks serve not only as store of value where money is deposited for safety purposes alone. Some percentage of loans is extended to the desirable public to gear up the economy. The banking industry is an important medium for investment of funds needed or organizations engaged in the production of goods and services.

Bank credit and lending function as we are aware, evolved from rather humble beginning as a result of discovery made by the goldsmith some century ago. Bank have in recent time been described as the machine of economic growth in an economy, banks extends credits (money which is an assets) to a customers. Most people who wants to start a business complains of lack of sufficient capital to start with. Commercial banks have proven to be financial intermediaries in Nigeria. They maintained a good position in economy. The role banks play in the industrial development cannot be over emphasized. Banks go a long way in providing financial resources for a business growth and development.

Over the years, the federal government has taken various steps; employing monetary, fiscal and industrial policy measures to promote the development of industries. A scheme was also set requires all banks in Nigeria to set 10 percent of their profit before tax (PBT) for equity investment and promotion of industries in Nigeria. The establishment of specialized financial institutions including the small scale industry credit scheme (SSICS), Nigeria Industrial Development Bank (NIDB), Nigeria Bank for Commerce and Industry (NBCI) to provide long term credit. The government also assists in the industrial development in Nigeria through; (1) facilitating and guaranteeing external finance by the World Bank, African Development bank and other international financial institution.

(2) Facilitating the establishment of the National Directorate of Employment (NDE), which also initiated the setting of new small and medium enterprise.

(3) Establishment of the National Economic Reconstruction fund (NERFUND) to provide medium to long-term local and foreign loan for industries, particularly those located in the rural areas.

Provision of technical training and advisory services through the industrial development centres.

(4) Small and Medium Industry Equity Investment Scheme (SMIELS).

The fact that has emerged from the appraisal of the various past and policy initiatives on the promotion and development of industries in Nigeria, is that fiancé is a major constraint to the development of industries in Nigeria. The banking sector tends to be lukewarm in meeting the credit requirements of industries. This is because project proposals are poorly prepared, financial documentation and adequate collateral are not provided, as well as the inability of the promoters of industries to raise the required equity contribution. The banks regard many industries as high risk venture because of absence of succession plan in the event of the death of the proprietor. To most industries, working capital is still a major constraint on production, as most industries are restricted to funds from family members and friends and are therefore unable to respond to anticipated challenges in a timely manner.

1.2 STATEMENT OF THE PROBLEM

The Nigerian industrial sector is facing a lot of challenges in spite of several attempts by government, prominent among which, is accessibility to bank loan. This has impacted negatively on its growth and development. Most industries suffer from various problems such as poor infrastructural facilities, inadequate resource management; the most prominent that may lead to going concern problem is lack of capital to finance it's activities.

As a result of the above, this researcher set out to investigate the dimension of the problem confronting industrial development through bank lending.

1.3 OBJECTIVES OF THE STUDY

The objectives of this study are as follows:

(1) To examine the impact of bank lending on industrial development in Nigeria.

(2) To examine the relationship between bank lending and employment in the industrial sector.

1.4 RESEARCH QUESTIONS

In a bid to address the issues raised in the research problem, the following question will provide a guide.

• To what extent is bank lending impacting on the performance of the industrial sector?

1.5 RESEARCH HYPOTHESES

The hypotheses for the study are:

• Ho: Bank Lending does not have a significant positive impact on industrial development in Nigeria.

1.6 SIGNIFICANCE OF THE STUDY

The study is expected to offer the following significance to the following:

It would help the government and financial institutions to ascertain the source of solution to the problem of industrial development due to lack of capital. The study will also enable industries operating in the country to avail themselves of the financing opportunities available, so that the failure of industries will minimized.

The study will provide useful information that will help in policy formation regarding industries financing in Nigeria.

Finally, it provides information, which those wishing to embark on similar studies can make use of it in their work.

1.7 LIMITATIONS OF STUDY

The researcher in the course of the investigation encountered several constraints, prominent among these obstacles are highlighted below: As a result of lack of fund, the researcher found it difficult to carryout a much more thorough investigation, i.e. unable to tour round the country in order to get the relevant data that the researcher was looking for.

Time constraint: The study was also constrained by the time usually allowed in student's research of this work.

However, these constraints are not so fundamental, material and pervasive to render the work useless.

1.8 OPERATIONAL DEFINITIONS OF TERMS (ABBREVIATIONS)

1. IDC — Industrial Development

2. SSICS - Small Scale Industries Credit Scheme

3. NIDB - Nigeria Industrial Development Bank

4. NBCI — Nigeria Bank for Commerce and Industry

5. NERFUND - National Economic Reconstruction Fund

6. PBT — Profit Before Tax

7. Industry — Firms engage in production of goods and services

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CHAPTER TWO

REVIEW OF RELATED LITERATURE.

2.1 MEANING OF INDUSTRY AND INDUSTRIALISATION

An industry can be defined as a firm (small, medium or large) that produces goods or services which will satisfies human want. This is in the situation of one firm- industry. At the same time, an industry shows firms producing similar goods and service or are in the same line of economic activities.

Industry comprises those small, medium and large scale enterprises that engage in similar economic activities to satisfy an existing want.

According to Phyllis H, Williams. (1965), to industrialize obviously means the replacement of hard tools by machine and power tools is the sine qua non of an industrialized society. Industrialization also involves vast economic and social charges; example, a tendency toward urbanization, a growing body of wage earners, increased technical and advanced education. By studying these and other concomitants, one can detect the sign of incipient industrialization in Nigeria.

Industrialization or an industrial revolution is a process of social and economic charge whereby a human group is transformed from pre-industrial society (an economy where the amount of capital accumulated per capital is low) to an industrial one (a full developed capitalist economy). It is a part of wider modernization process; where this social and economic charge is closely related with technological in the area of producing goods and services that will satisfy a want and increase the gross domestic product as well as per capital income.

2.2 STRATEGIES OF INDUSTRIALIZATION

a. Export-led industrialization strategy.

The general natural strategy of growth in Nigeria, adopted in the period of the 1980s has been the export-led industrialization strategy, which has been linked to the tremendous growth recorded in economy. A distinguishing characteristics of the economic performance of Newly Industrializing Countries (NICs) is the highly equitable distribution of gains from economic growth. The rapid and sustainable growth in these economy aimed at reducing poverty and improvement in living standards of people. The main stream (neoclassical) economists interpret this achievement as a natural outcome of export-led industrialization, which can be replicated in other developing countries provided the policy fundamentals are right.

b. Import — Substitution Strategy.

Import substitution industrialization was made to achieve forced industrialization through direct import restrictions and the establishment of state owned industrial enterprises.

In order to achieve the policy of import substitution strategy, export would be promoted.

The principal mission of SAP was to realign aggregate domestic expenditure and production patterns so as to minimize dependency on imports, enhance the non-oil export base and bring the economy back on the path of steady and balanced growth. Specifically, the major objectives of SAP were to restructure and diversify the productive base of the economy in order to reduce dependence on the oil sector and on imports, to achieve fiscal and balances of payments viability over the period, to lay the basis for a sustainable non inflationary or minimal inflationary growth and to lessen the dominance of unproductive investments in the public sector. The most significant of the various action steps for implementing the foregoing strategies included measure to correct the serious over-valuation of the

Naira through the setting up of a second-tier foreign exchange market, over come the observed public sector inefficiencies through improved public expenditure control programme and speedy privatization and commercialization of enterprises with public sector investment, and relieve the debt burden as well as attract a net inflow of foreign capital through debt conversion programme.

c. Infrastructural Development Strategy.

A central obstacle to industrialization arises from spatial distribution of existing plant and infrastructure. The fact that industrial growth has been traditionally restricted to a few geographical locations is not so much alarming as the fact that there is virtually no inter-linking between locations and their respective industries, widening the industrial distribution pattern remains a fundamental issue, one that can be intelligently resolved through industrial linkages. The keyword here is production subcontracting. History, demonstrates adequately the fact that industrial expansion is inseparably linked to rapid job creation, enterprise development and viable economic growth.

Industry requires good transportation facilities, adequate power supply and water to mention a few to develop firmly.

2.3 SIGNIFICANCE OF INDUSTRIALIZATION IN THE DEVELOPMENT PROCESS

The significance of industrialization in the development process could not be over-emphasized. Its significance will be observed in the following areas.

a. Employment Generation.

Industrialization will go a long way in creating Job opportunity for the people.

According to Egwaikhide, et.al. (2001), unemployment received public attention as an important issue in Nigeria since independence. This became very pronounced in the 1980s as a result of the collapse of the world oil market of that era and the apparent inability of the various governments across the federation to provide Jobs for school graduates in the public sector. From the articulation of the NEEDS policy document, issues of employment and underemployment present a major challenge to the Nigerian economy. Given that the policy came on stream in 2004, the relative successes achieved in employment creation in the telecommunications sector were acknowledged in the NEEDS policy document, which asserted that this happened as a result of the liberalization of the sector. It can be recalled that the country introduced the Global system of mobile communication GSM in 2001, with some measure of Job creation achieved in this regard. The goal of employment generation requires the adoption of appropriate technologies in production, giving preferential treatment to labour-intensive technologies. History demonstrates adequately the fact that Industrial expansion is inseparably linked to rapid Job creation, enterprise development and viable economic growth. Nigeria's goals would be well-high impossible to achieve without the active involvement of entrepreneurs in a regulated atmosphere of industrial networking and subcontracting.

b. Reduction in Poverty/Poverty Reduction.

Industrialization will serve as a vital tool to fight poverty in every nation.

According to Umar. (2009), the only way for the country to reduce poverty among it citizens was for the state governments, to promote and encourage the small and medium scale industries in each state. Industrialization will equip citizens with Job and thereby engaged them into salaries received Job in attempt to reduce poverty and improve the general standard of living and economic growth.

c. Fostering Economic Development and Growth.

The economic downslide proved especially harsh on the manufacturing sector, party at least due to the over dependence on oil exports that thwarted economic diversification. With local sourcing of raw material confined to all but a few industries, capacity utilization plunged dramatically in import — dependent operations. Nigerian manufacturing is predominantly about isolated assembly line functions with very limited or no backward connections to the economy. These and other factors combined to bring the total GDP contribution from manufacturing down from a little over 9% in 1981 to 6% by the end of the last century.

The renewal of democratic governance in 1991 was followed by an enthusiastic redirection of development policies. Abuja quickly announced multiple programmes to achieve a stable and globally aggressive economy that is not critically dependent on the oil and gas sector. The crux of the government's new ambitions were outlined with the adoption of the 2020 goals, a radical vision document that foresees Nigeria as one of the 20 top world economies by that year. While there are no comprehensive progress report yet, some international aid and monitoring agencies are ambiguous about the eventual fate of this grand scheme. Others, like the IMF, are confident that Nigeria will not only achieve its goals, but will do so despite the current global financial crisis. In July, a visiting IMF team reaffirmed optimism about rapid growth and economic diversification, insisting however on the importance of a macroeconomic policy conducive to private sector growth.

What Nigeria effectively needs are policies fostering rapid business development across sector: in other words, an

enterprise revolution that accelerates sustainable growth while simultaneously helping alleviate poverty and improve living standards. The complex socio-economic realities in this corner of West Africa often defy the best laid development plans, and it is no surprise that initiatives like the Nigeria Industrial Development Bank (established 1964) or the structural Adjustment programme of 1986 have consistently failed to deliver as far as improving Nigeria's industrial scenario goes. The severity of challenges facing it in this regard can hardly be overstated.

2.4 INDUSTRIAL DEVELOPMENT STRATEGIES IN NIGERIA

According to Adenikiyo (1996:342), the manufacturing sector performed very poorly recording low share in the Nigeria GDP of 6.02% in 2002, 8.2% in 1990 and 10.7% in 1985 compared to an average value of 27% in Latin American countries, 25% in East Asia and 34% in the pacific. The performance of the sector is also shown as unimpressive in terms of growth rate and value added.

Nigeria's industrial sector has experienced prolonged stagnation in growth since the country gained independence in 1960. Efforts by the authorities to address the problems of the sector did not appear to yield much with capacity utilization recording a very low level excepts in the post 1970 oil boom era when industry seemingly flourished in the euphoria of the abundant petro-dollar of the period and the massive involvement of the government in key sectors of the economy, including manufacturing.

According to Egwaikide, et.al. (2001), the Nigerian industrial sector is often associated with features such as dominance of low-level technology import-substitution industries, the virtual insignificance of the engineering industry, the rise in the proportional share of the mining industry and the relative weakness of the intermediate goods industry. In addition, there is general problem associated with weak infrastructural and social overhead capital, leading to very high costs of transactions. Given the successes reported in the growth of the South East Asian economies and the role played by their industrial sectors in this regard, the natural strategy of growth in Nigeria, adopted in the period of the 1980s has been the export-led industrialization strategy. The rapid and sustained growth in these economies since the late 1960s has been accompanied by a reduction in poverty and improvement in living standards of the people across the board. Income distribution continued to remain relatively more equal than in other countries at a comparable stage of development. The mechanism (neoclassical) economists interprete this achievement as a natural outcome of export-led industrialization; which can be replicated in other developing countries provided policy fundamentals are right (Adenikinjo and Chete, 2002). With series of reforms instituted in Nigeria, beginning from the structural Adjustment programme and

Development strategy, NEEDS programme of 2004, efforts have been made to address the problems of the industrial and other sectors of the economy and create employment, given the tremendous need for jobs in the economy, in view of the large national population and number of graduates churned out from the educational institutions annually. Hence, this study is an attempt to evaluate the employment-creating capabilities of the policy reforms in the Nigerian economy in general and the industrial sector in particular.

According to Amakom. (2008), the quest for Nigerian to be industrialized economy with high sustainable growth rates has been the preoccupation of every administration that has piloted the affairs of the nation since after independence. But amidst of these struggles for sustainable growth the Nigeria has performed poorly since the late 1970s, resulting in stagnation and increasing poverty levels. Industrialization was seen as the only feasible means to get to the promised land by breaking the shackles of poverty because of the expected spill over effect in every other aspect of economy. Despite the efforts, since October 1960, the level of industrialization remains very low even with the oil boom that comes intermittently: The Structural Adjustment

Programme (SAP) era was seen as a perfect time to consolidate the industrial aspirations but the Nigerian experience with SAP policies in the area of trade and industrial polices illustrates the interplay of several factors in the determination of policy design and implementation. In one sense, there is the loss of policy autonomy since the IMF and donors could almost retain a veto power on policy choices.

In practice, Nigerian policy makers have had tremendous room to man oeuvre. The situation have been off and on till the 4th republic (1999-2007) yet Nigerian's manufactory sub-sector contribution to GDP, instead of growing dropped to less than 3 percent in 2006.

According to Abdullahi (2009), unless Nigerian leaders increased their effort toward industrializing the country, the desire to develop would still continue to elude it.

Abdullahi (2009), also added that the Nigeria's economy was not strong enough to usher in any meaningful development in the country and that the country, instead of progressing has remained, static despite the abundant potentials that the country processed.

The former presidential adviser on agriculture spoke at the National creativity and leadership lecture series of the centre for creativity and leadership development, where he maintained that for the country to get out of its present economic, industrialization and infrastructural difficulties, deliberate and genuine policies most be implemented. He pointed out that reindustrializing the country was the only answer to improving the socio-economic situation of the country.

According to the Director — General of the small and medium Enterprises Development Agency of Nigeria (SMEDAN), Umar (2009), the only way for the country to reduce poverty among it's citizens was for state government to promote and encourage the small and medium scale industries in each state. What Nigerian effectively needs are policies fostering rapid business development sector; In other words, an enterprise revolution that accelerates sustainable simultaneously helping alleviate poverty and improve living standards. The economic realities in this corner of west Africa often defy the best laid development process and it is no surprise that initiation like the Nigerian industrial development (established 1964) or the Structural Adjustment Programme of 1986 have to deliver as far as improving Nigerian's industrial scenario goes. Therefore, the following factors could be seen as problems of industrial development.

- Poor industrial performance and an unfavorable tax regime make the cost of manufacturing abnormally high, curtaining demand and reducing profitability.

- Most industrial activity is linked directly to foreign markets in terms of both inputs and delivery, with very few industries being rooted to the local economy.

- Underutilization of resources — brought about by a plethora of causes including labour and security problems, falling demand and low liquidity — is a major industrial constraint.

- The infrastructure deficit, especially in power, is acute and inhibitive to viable industrialization.

Additionally, road and rail networks need massive overhaul.

- Trained manpower shortage in both technical and nontechnical fields is a crucial short coming that affects productivity and optimization in industrial operations.

- Low standards of education are deepening the already critica1 unemployment problem by turning out graduates who are unemployable in new or existing business.

- Socio-economic disparities and ethnic divides have provoked military and armed extremism to uncontrollable levels, especially in the oil-rich Niger Delta region.

- Official indifference, tax administration and ingrained corruption all combine to frustrate existing enterprises and deter the emergence of new ones.

A developing country that is modestly with natural resource, but wishes to industrialize, must look to the agricultural sector for its economy, for from this area will come most of the exports for the people. A country of pleasant farmers must find ways to raise income per capital in order to create domestic market for industrial products, to increase the tax base of the country and to create a source of internal capital formation.

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CHAPTER THREE

RESEARCH METHODOLOGY

3.1 RESEARCH DESIGN

The research design used for this study is the ex post facto research design, which involves gathering of information on already collected or processed data from research institutes, the Central Bank of Nigeria etc.

3.2 NATURE AND SOURCES OF DATA

Data are of secondary nature in collected and processed forms.

The major sources of Data for this work is the secondary sources.

(1) Primary Data.

According to Onwumere (2009:79), primary data are those data collected first hand, directly from the respondents. They are uncollected or raw and have to be organized by the researcher. These are data expressly collected by the researcher or investigator himself for a specific purpose or for a particular enquiry. Instrument mostly used are personal interview and questionnaire.

In collecting primary data for this research work, the major instruments used were the questionnaire and personal interview with some promoters of small, medium and large scale industries.

(2) Secondary data

These are data already collected and analyzed by some one else for a particular enquiry. They are collected for some other purposes frequently for administrative reasons. It is used for sampling quite a large number of statistics relating to trade and others. For the purpose of this study, secondary data (in addition to primary data) will be used in this research work, relevant information was collected through secondary sources such as Banks, small and medium enterprises, large industries and various seminar papers on bank lending and industrialization development and other related documents.

These data aided us in doing explanatory study to gain insight into the whole gamut of issues pertaining to the industrialization development and bank lending in Nigeria. With regard to primary data, in designing the questionnaire, care was taken to ask questions which the respondents can and would be willing to answer. To achieve this, a carefully worded letter of introduction was attached to each questionnaire explaining why this work was being undertaken and also the need for everyone especially those involved, to help resolve the issue of poor industrialization development by answering the questions honestly and volunteering information when necessary.

3.3 MODELS FOR ANALYSIS

The models for analyzing the data are

(1) Y = F (BL)

Where

y = Industrial output.

BL = Loans from the banking sector to the industrial sector

F = Functions

(2) EM (BL) = 0

Where

EM = Employment

BL = Loan from the banking sector to the industrial sector

(1) Regression using the formular

$$b = \frac{(x-x)(y-y)}{(x-x)^2} \quad \text{or} \quad \frac{N\Sigma xy - \Sigma x \Sigma y}{N\Sigma X^2 - (\Sigma X)^2}$$

$$a = y - bx \text{ or } \frac{\Sigma y}{N} - \frac{b\Sigma x}{N}$$

(2) Correlation Analysis

Also in testing the hypothesis, the product moment

3.5 LIMITATION OF THE STUDY

The researcher in the course of the investigation encountered several constraints, prominent among these obstacles and highlighted below:

As a result of lack of fund, the researcher found it difficult to carryout proper invigilation, i.e., unable to tour round the country in order to get the relevant data that the researcher was looking for. The study was also constrained by the tightness of the time lag usually allowed in students' research of this work.

CHAPTER FOUR

PRESENTATION AND ANALYSIS OF DATA

4.1 INTRODUCTION

This study seeks to determine the implication of bank lending in the industrial development in the Nigeria economy. The focus of this phase of the study is to present all the relevant data gathered from both the primary and secondary sources as identified in the research methodology. Subject this data to analistically and logical analysis and make reasonable deductions that will assist in identifying the impact of bank lending on industrial development in Nigeria.

4.2 PRESENTATION OF DATA

Table 4.2.1 shows the sectoral growth performance in the Nigeria

Table 4.2.1

Sectoral growth performance contribution to GDP and real growth rates 1999-2004.

Agriculture	1990 26.37	1995 40.75	2000 42.65	2004 17.27
Crude Oil & Natural Gas	31.68	26.52	25.91	23.36
Industry/Manufactory	27.02	8.74	7.77	11.84
Services	14.93	23.99	23.67	20.53

Source: Central Bank of Nigeria Statistical Bulletin, December, 2005.

For the 1990-2004 period, the dominantly growing sectors were agriculture, crude oil and natural gas and services which include the financial services as well as government. Growth rate was least in the industry! manufacturing sector, recording as low as 7.7% growth in 2000, though it surprisingly recorded a 27.07% in 1990. The performance of the manufacturing sector since independence has been parlous

The extent of unemployment in the Nigerian economy during the period is shown in table 4.2.2

Table 4.2.2.

Summary statistics on registered unemployment (1990-2004)

	Professionals & Executives			**Lower Grade workers**		
	Registered Unemployment	Placements	%	Registered Unemployment	Placements	%
1999	63669	75	0.12	86024	1611	1.87
2000	104960	110	0.10	85368	923	1.08
2001	84359	93	0.11	85928	1854	2.16
2002	94663	102	0.11	85648	1389	1.62
2003	59373	657	1.11	130060	2005	1.54
2004	91563	510	0.56	311119	12113	3.89

Source: Central Bank of Nigeria Statistical Bulletin, 2005.

Form the table, the highest placement of unemployment was recorded in 2003, followed by 2004 for professionals and executives. For lower grade workers, the highest placement was recorded in 2004 followed by 2003. This indicate that unemployment rate is increasing at tremendous rate and the

Nigeria's Exports by type (2002-2006) (N million)

Nigeria's Exports by type (2002-2006) (N million)

Export	2002	2003	2004	2005	2006
Oil (% of total)	1649445.83 (94.57)	2993109.95 (96.93)	4489472.91 (97.54)	6266096.62 (98.34)	5619152.88 (97.68)
Non Oil (% of total)	94731.85 (5.43)	94776.44 (3.07)	113309.35 (2.46)	105955.82 (1.66)	133594.86 (2.32)
Total	1744177.68	3087886.39	4602781.54	6372052.44	5752747.74

Source: Central Bank of Nigeria Statistical Bulletin, 2007.

Taking a look at the composition of non-oil exports, and the oil export, the oil sector has remained dominant despite various campaigns and policy articulations of governments in this regard.

The Nigeria's Non-oil exports by products from 2005-2006 (N million)

Table 4.2.4 Non-oil Exports by products

(2005-2006) (N million)

Product	2005	% share of total	2006	% share of total
Agricultural	44395.49	41.9	50498.86	37.8
Cocoa beans	13244.48	12.5	18569.69	13.9
Rubber	6569.26	6.2	7214.12	5.4
Fish/Strimps	7734.77	7.3	9218.05	6.9
Cotton	6781.17	6.4	4542.23	3.4
Others	10065.80	9.5	10954.78	8.2
Minerals	4238.23	4.0	11355.56	8.5
Aluminum/Carbonate	3390.59	3.2	7748.50	5.8
Other minerals	847.65	0.8	3607.06	2.7
Semi-Manufactured	42912.11	40.5	50632.45	37.9
Processed skin	21720.94	20.5	35536.23	26.6
Cocoa products	5085.88	4.8	6546.15	4.9
Texture yam	7840.73	7.4	1068.76	0.8

Processed wood	2225.07	2.1	1870.33	1.4
Others	6039.48	5.7	5610.98	4.2
Manufactured	10383.67	9.8	14829.03	11.1
Tyres/tubes	1059.56	1.0	534.38	0.4
Textiles	1059.56	1.0	935.16	0.7
Other	8264.55	7.8	13359.49	10
Other export	4026.32	3.8	6278.96	4.7
Total	105955.82	100	133594.86	100

Taking a look at the composition of non-oil exports shown in table 4.2.4 manufactured exports represent 9.8% and 11.1% of total non-exports in 2005 and 2006 respectively for semi-manufactured products, the figure are 40.5% and 37.9% of total non-oil exports in 2005 and 2006 respectively. This has immense implications for its contribution to GDP, employment creation and impact on prices in the economy as well as the effectiveness of the export led industrialization strategy of the various regimes in the country.

Table 4.2.5

The Nigeria Growth and

Export Orientation from 1999-2004

years	**GDP 9 (at cost) value (₦m)**	**Growth Per Capital GDP** (%)	**value Nm**	**Growth (%)**	**Export Orientation X/GDP%**
1999	393107.2	1.19	3534.533	-1.56	24.77
2000	412332.0	4.89	3606.413	2.03	28.40
2001	431783.2	4.72	3673.688	1.87	26.47
2002	451785.7	4.63	3739.174	1.78	21.92
2003	495007.2	9.57	3985.309	6.58	30.57
2004	527576.0	6.58	4131.823	3.68	39.58

Source: Central Bank of Nigeria, 2005.

From 2004, the annual growth in gross domestic ranges from -6.63% to 11.36%. The performance record was ratter poor and uneven reflecting the economic and political instability that has pervaded the country over the period with probably better domestic.. Macro economic policies and market based reform, the GDP growth rate increased to 4.89% in 2000 and increased further to 6.59% in 2004. A number of studies which investigated the export — led growth hypothesis, have found that exports have been instrumental to Nigeria's growth performance.

The Nigeria index of manufactory production from 1999-2007

Table 4.2..6

Index of Manufactory production 1999-2007

	Items	1999	2000	2001	2002	2003	2004	2005	2006	2007
1	Sugar Confectiory	106.5	59.4	57.5	56.1	56.5	55.7	56.0	47.5	48.7
2	Soft drinks	148.4	153.2	160.9	157.1	162.1	170.5	170.9	194.0	198.8
3	Brewing	95.2	103.9	107.5	116.7	119.3	125.5	125.5	125.7	183.5
4.	Cotton textiles	92.1	89.6	102.1	103.3	94.5	91.8	92.3	93.5	90.8
5	Synthetic fabrics	1066.9	803.1	815.6	742.7	708.4	703.7	72.7	665.6	661.5
6.	Footwear	59.8	42.6	52	49.9	45.6	45.6	45.5	44.9	44.8
7.	Paints	98.4	118.1	122.2	114.0	112.9	112.3	112.9	114.4	115.8
8.	Refined Petroleum	110.9	117.9	131.4	129.3	121.8	124.8	123.6	133	136.6
9.	Cement	95	93.2	88.8	91.5	90.5	92	91.6	93.5	96
10.	Roofing sheet	30.8	37.8	29.6	28.6	29.1	28	28.1	27.6	28.1
11.	Vehicle Assembly	17.4	11.7	14.2	13.6	13.4	15.81	15.6	15.1	15.1
12.	Soap & Detergent	152.6	167.6	183.3	193.3	185.3	209.7	20.9	210.1	214.8
13.	Radio & TV	8.9	6.0	5.8	4.5	4.0	4	3.4	3.3	3.3
14.	**Total**	144.2	136.3	138.7	138.5	133.1	137.7	138.2	137.7	146.3

Source: Chamber of Commerce 2008.

The brewing sub sector occupies a conspicuous position in the manufacturing sector. It is highly concentrated for the automobile sub sector by 2001, there were over 20 different enterprises manufacturing different types of vehicles, though the capacity utilization of the majority of these firms is very low.

4.3 TEST OF HYPOTHESIS

Data for testing the hypothesis are presented below;

Data.

The table containing data for testing this hypothesis is table 4.2.7

Table 4.2.7

Year	Commercial Bank Loans to the Manufacturing Sector. N'm	GDP Components of Manufacturing. N'm
1999	435,581.8	150,946.5
2000	518,747.6	168,037.0
2001	717,786.5	199,079.3
2002	888,082.5	236,825.5
2003	997,672.6	287,739.4
2004	1,308,832.0	349,316.3
2005	1,392,839.2	412,706.6
2006	445,792.6	478,524.1
2007	1,442,676.3	520,883.0
2008	2,904,087.1	605,592.6

Source: Central Bank of Nigeria, 2009.

In testing the hypothesis, it is hereby restated in null and alternative forms as —

Ho: Commercial bank loans does not have a significant impact on the manufacturing sector.

HA: Commercial bank loans have a significant positive impact on the manufacturing sector.

From the computer results GDP = 165316.306 + 0.159 Loans

(t=3.114)

$R = 0.704$

$R^2 = 0.548$

$\bar{R}^2 = 0.491$

$F = 9.695$

$D.W = 0.014$

From the above, apart from our earlier analysis, it is clear that the coefficient of commercial bank loans is positively signed showing that the loans had a positive impact on the gross domestic product component of the manufacturing sector. The calculated t — value of 3.114 of the coefficient is higher than 2.0 (going by the rule of the thumb approach) indicating that the loans had a significant impact on the GDP. We therefore reject the null hypothesis and accordingly accept the alternative hypothesis. Thus, loans and advances have a significant positive impact on the manufacturing sector of the Nigerian economy.

REGRESSION

Descriptive Statistics

	Mean	**Std. Deviation**	**N**
GDP	340965.0300	158590.33042	10
Loans	1105209.8200	738618.21384	10

Correlations

		GDP	**Loans**
Pearson Correlation	GDP	1.000	.740
	Loans	.740	1.000
Sig (1-Tailed)	GDP	-	.007
	Loans	.007	-
N	GDP	10	10
	Loans	10	10

Model Summary (b)

Model	**R**	**R Square**	**Adjusted R Square**	**Std Error of the Estimate**	**Durbin-watson**
1	.740 (a)	.548	.491	113104.21643	.840

a. Predictors: (constant), loans

b. Dependent Variables: GDP

ANOVA (b)

Model	**Sum of squares**	**Df**	**Means square**	**F**	**Sig**
1 Regression	124017525929.916	1	124017525929.916	9.695	.014(a)
Residual	102340510197.246	8	12792563774.656		
Total	226358036127.161	9			

a. Predictors: (Constant), loans

b. Dependent variables: GDP

Coefficients ta)

Model	Unstandardized Coefficients B	Std. Error	Standardized Coefficient Beta	T	Sig
1 (Constant)	165316.306	66796.167		2.475	.038
loans	.159	.051	.740	3.114	.014

a. Dependent variable: GDP

4.4 IMPLICATIONS OF RESULTS

The ANOVA table tests the acceptability of the model from a statistical perspective. The Regression row displays information about the variation accounted for by the model, while the Residual row displays information about the variation that is not accounted for by the model.

The regression sum of squares (124017525929.916) is greater than the residual sums of squares (102340510197.246) which indicates that more of the variation in GDP is explained by the model.

The significance value of the F statistic (0.014) is lesser than 0.05, which means that the variation explained by the model is not due to chance.

Though the ANOVA table is useful test of the model's ability to explain any variation in the dependent variable, it does not directly address the strength of that relationship. The model summary table reports the strength of the relationship between the model and the dependent variable.

R, the correlation coefficient, is the linear correlation between the observed and model — predicted values of the dependent variables. The correlation coefficient of 0.740 indicates that there is a strong positive relationship between GDP and the other independent variables (loans).

R square, the coefficient of determination, is the squared value of the correlation coefficient. This show that 54.8% of the variation in GDP is explained by the model.

With the linear regression model, the error of the estimate is high, with a value about 113104.21643.

The Durbin-Watson statistic tests the null hypothesis that the residuals from an ordinary least —squares regression are not autocorrelated against the alternative that the residuals follow an ARI process. The durbin — Watson statistic of 0.0 14 which does not tend to 2 indicates there is an autocorrelation.

Therefore from the above results, the null hypothesis should be rejected. Hence, the null hypothesis should be rejected. We conclude therefore that the alternative hypothesis should be accepted, hence bank lending has a significant positive impact on industrial development in Nigeria.

CHAPTER FIVE

SUMMARY, RECOMMENDATIONS AND CONCLUSION

5.1 SUMMARY OF FINDINGS

The study sought to examine the impact of bank lending on industrial development in Nigeria.

In carrying out this research work, literatures were reviewed with a view to having a conceptual grip of the subject matter.

In a. bid to gather the relevant data for the study, data and information were collected from CBN and Chamber of Commerce, from the data gathered and our test, it was found that:

(a) Bank lending has a significant positive impact on industrial development in Nigeria.

(b) The industrial sector in Nigeria has been largely stunted in growth since the era of the failed import substitution strategy of the 1960s.

(c) Industrial development will be achieved through promotion and encouraging of the small and medium scale industries in the country.

(d) Bank credit will assist immensely in providing funds or capital for industries to expand and achieve its potentials.

(e) The role of private sector has not been emphasized in the country.

(e) The collapse of many industries was due to inadequate capital (insolvent) and no access to technology and equipment.

5.2 RECOMMENDATIONS

It is obvious from this study that bank lending is a vehicle of industrial development and development of the economy as a whole. As a result, the following recommendations are made;

(a) Banks should be encouraged to provide more loans to the industrial sector.

(b) The policy of import substitution and export promotion should be promoted by the government to encourage infant industries.

(c) Provision of basic infrastructures and other social amenities will go a long way in helping industries in Nigeria.

(d) Policy makers should not focus on the oil sector alone as more attention should be given to agriculture and industry.

(e) Government should also ensure and support schemes set up to promote small and medium enterprises in the country.

5.3 CONCLUSION

Having identified the fact that the role of bank lending in industrial development,, the regulatory authorities and banks should contribute in no small measure to the credit facilities to encourage industrial development in Nigeria.

Having understood that excessive importation is a threat to development, it is also good for the policy makers to encourage and support import substitution strategy in order to encourage high rate of exportation.

Also basic infrastructure and agricultural development will go a long way in promoting industries to establish firmly in the economy.

APPENDIX ONE

Descriptive Statistics

	Means	Std. Deviation	N
GDP	340965.0300	158590.33042	10
Loans	1105209.8200	738618.21384	10

Correlations

		GDP	Loans
Pearson correlation	GDP	1.000	.740
	Loans	.740	1.000
Sig (1-tailed)	GDP	-	.007
	Loans	.007	-
N	GDP	10	10
	Loans	10	10

Model Summary (b)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin Watson
1	.740(a)	.548	.491	113104.21643	.840

a. Predictor: (constant), Loans

b. Dependent Variable: GDP

ANOVA (b)

Model	Sum of squares	Df	Mean square	F	Sig
1 Regression	124017525929.916	1	124017525929.916	9.695	.014(a)
Residual	102340510197.246	8	12792563774.656		
Total	226358036127.161	9			

a. Predictors: (constant), Loans

b. Dependent Variable: GDP

Coefficients (a)

Model	Unstandardized Coefficients B	Unstandardized Coefficients Std Error	Standardized Coefficients Beta	T	Sig
1 (Constant)	165316.306	66796.167		2.475	.038
loans	.159	.051	.740	3.114	.014

a. Dependent Variable: GDP

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