

## chapter 3



At the end of this chapter, students should be able to:

- define industrialisation;
- mention and explain the characteristics of industrialisation;
- mention the conditions favouring industrialisation;
- state the contributions of industrialisation to the process of economic development;
- explain the strategies of industrialisation;
- mention the problems of industrialisation in Nigeria;
- explain the objectives of government industrial policy and the role of Nigerian Government in industrialisation policy.

### 3.1 Introduction

Industrialisation is an essential feature for the development of nations, characterized by the growth of machine and tool production and the growth of mechanical and technical skills required for industrial production, with attendant large-scale production. All of which lead to changes in the social and economic organization of societies. Industrialisation has played and is still playing a vital role in most countries' economic development and well-being. This chapter shall examine the following: definition of industrialisation, characteristics of industrialisation, conditions favouring industrialisation, contribution of industrialisation to the process of economic development, strategies of industrialization in Nigeria, objectives of government industrial policy and the role of Nigerian Government in industrialisation process.

### 3.2 Meaning of Industrialisation

Industrialisation is a deliberate policy by governments to create many industries in a country. The process of industrialisation involves the production and increasing use of machinery and power tools as well as the use of improved technology in production, all of which lead to a higher level of output of industrial goods.

### 3.3 Characteristics of Industrialisation

- (a)** Wide and systematic use of modern science and empirical knowledge in production
- (b)** Specialisation of economic activities based on the need to meet the demands of both national and international markets
- (c)** Migration of the labour force from urban areas to rural areas
- (d)** Emergence of corporate or public enterprises
- (e)** Reallocation of the labour force from the production of raw materials or primary products to the production of manufactured goods
- (f)** Substitution of labour-intensive methods of production for capitalintensive methods

### 3.4 Conditions Favouring Industrialisation

- (a) Availability of natural resources and raw materials:** The presence of minerals such as crude oil, coal, iron ore and limestone may encourage the establishment of industries like oil refineries. The abundance of agricultural raw materials is necessary but not sufficient condition for industrialisation.
- (b) Embargo on importation:** This can cause the affected country to adopt inward looking policies that will promote local production of those goods that it has been importing. These types of industry are referred to as import-substituting industries.
- (c) Need to conserve foreign exchange:** Many developing countries are import-dependent nations. They usually run into balance of payments difficulties because they are unable to earn enough foreign exchange. This may in turn stimulate the growth of local industries with the objective to satisfy home demand.
- (d) Availability of market:** If it is certain that there is a market for the product produced, industrialisation will be enhanced.
- (e) Supply of energy and power:** Industries need steady power supply for their production. Where it is otherwise, alternative power will lead to an increase in production, for example, in Nigeria, Dunlop and Michelin tyre producers relocated from Nigeria to Ghana in 2007 as a result of steady electricity generation in Ghana.
- (f) Availability of labour:** Most countries, as the successful operation of their industries depended on labour, require skilled labour for production. The unavailability of labour might hinder their productivity.
- (g) Availability of infrastructural facilities:** Facilities like good roads, adequate security and even water encourage industrialisation.

### 3.5 Contributions of Industrialisation to the Process of

## **Economic Development**

Industrialisation is a prerequisite for the economic development of any country. It is believed that it is only industrial development that can break the vicious circle of poverty and underdevelopment. Industrialisation holds the key to economic development through the following ways:

**(a) Productivity:** Productivity in industry generates higher savings and higher capital formation. Industrialisation means the adoption of modern methods of production and the use of machines that will encourage large-scale production and increased productivity per head.

**(b) Employment:** Rapid industrialization offers more employment opportunities for young school leavers. The establishment of many manufacturing and construction industries will therefore provide an alternative source of employment for this category of people as well as help to solve the problem of disguised unemployment that prevails in the economy.

**(c) Favourable terms of trade:** Industrialisation enables a country to have favourable terms in international trade. With industrialisation, there will be increase in the share of total exports originating from the industrial sectors, especially manufacturing. This in turn will not only improve on the terms of trade relationship but will also enrich the developing countries'™ dependence on it.

**(d) Boost of foreign exchange:** The only way to solve the problem of foreign exchange constraint is to embark upon the exportation of manufactured consumer and capital goods. Industrialisation that is geared towards the establishment of import-substitution industries may save foreign exchange for the country. Hence, the balance of payments position will be enhanced and economic development promoted.

**(e) Diversification of the economy:** Industrialisation brings about economic stability through diversification of the economy. Nigeria, for example, became vulnerable to economy's™ disequilibrium due to her dependence on oil.

**(f) Growth of the agricultural sector:** Industrialisation is very important for the rapid growth of the agricultural sector because it uses agricultural products as its raw materials, and so there is a ready market for agro-based industrial raw materials used in food processing, canning and animal feed milling industries. It provides the agricultural sector with vital inputs such as insecticides, pesticides and chemical fertilizers. In other words, the growth of the industrial sector implies a corresponding growth in the agricultural sector.

**(g) Source of government revenue:** The amount of revenue derived by government will increase by way of realizing more excise duties and company taxes.

**(h) Promotion of self-sufficiency:** Industrialisation reduces external dependence and vulnerability. At the same time, it promotes self-sufficiency in production. In many developing countries, the production of essential industries and agricultural goods falls short of demand. This increases

their external dependence and makes them vulnerable to external shock.

**(i) Stimulates development in other sectors:** Industrialisation stimulates the development of other sectors of the economy, for example, transport and communications system, supply of pipe-borne water and electricity, financial institutions, distributive trade, etc.

### 3.6 Strategies of Industrialisation

Industrialisation is an indispensable factor in the process of economic development of any country. It plays a very prominent role in the economic growth of many developed countries. Many strategies have been adopted by the government aimed at achieving industrial development in Nigeria. These strategies include the following:

**(a) Export promotion:** This involves deliberate efforts by the government to encourage the production of a variety of products for export. It is a strategy used to diversify the export base and create a more favourable balance of payments. Export could be promoted by liberalizing the export licensing procedure and allowing exporters to retain their proceeds of foreign export exchange.

**(b) Import substitution:** This involves deliberate government policies to encourage the domestic production of certain commodities that would otherwise be imported. This will help to create a more self-reliant economy and improve the balance of payments through a reduction of imports. This could be encouraged by adopting strict import control measures such as quota, bans, tariffs, granting of tax concession to import-substituting industries, etc.

**(c) Agriculture-led industrialisation:** This involves the adequate development of the agricultural sector before embarking on massive industrial expansion. This strategy is pursued because of the minimum contributions that a welldeveloped agricultural sector could make to industrial development. Such contributions made by agriculture include provision of raw materials for industry, provision of food for population, generation of income for investment and source of foreign exchange.

**(d) Small-scale and large-scale development strategy:** Government can also encourage the development of smalland large-scale industries with the aim of developing the industrial sector of the economy. The small-scale industries under the “small-scale industrial scheme” encourage the establishment of such industries in rural areas in order to provide employment for the rural people and thereby prevent rural“urban migration. The small-scale industrial scheme involves deliberate efforts by government to encourage the growth of small-scale industries such as rice mills, oil palm mills, etc. The large-scale industrial scheme involves deliberate policies by government to encourage the growth of certain large-scale industries that are thought to be indispensable for the production of certain basic goods. These include iron and steel plants, petrochemical industries, petroleum refineries, etc.

### 3.7 Problems of Industrialisation in Nigeria

Industrial development in Nigeria has been hampered by many problems.

Among them are the following:

**(a) Low level of technology:** Technological development in Nigeria, as in other developing countries, is still in its infancy. Machines are foreign-made and factories are built and maintained using foreign technology. Spare parts of such machinery and other equipments that are often not readily available constitute a drawback to the operation of the existing industries. The problem of low-level research especially in technology is now being tackled by the universities, polytechnics and institutes for management and technology.

**(b) Poor development of infrastructural facilities:** Provision of infrastructure in Nigeria has not developed significantly to encourage rapid industrialisation. Infrastructural facilities here mean roads, electricity, harbours, water projects, telecommunications, postal services, etc. Adequate provision

of these facilities promotes further industrialisation. In Nigeria, these facilities are still being developed and the lack of them or the poor provision of them has adversely affected the rate of industrialisation.

**(c) Inadequate capital:** Capital accumulation in Nigeria is very low, owing to the structure of the economy. For advancement in industrial production, capital formation on a large scale is indispensable. The amount of capital required per worker in a modern manufacturing industry is high and this is one of the main reasons why the "take-off" into self-sustained growth is such a difficult operation. Nigeria still depends much on foreign investment for large industrial establishments.

**(d) Small size of market for industrial goods:** The low level of per capita income makes the total demand for capital small. This discourages industrial expansion.

**(e) Poor agricultural development:** Agricultural development supports the growth of industry. Agriculture supplies most of the raw materials needed by the industrial sector. The Nigerian

Government industrial policy is now placing emphasis on improvement in agriculture, while manufacturing industries are being directed to set up farms for supply of raw material, instead of importing them from other countries.

**(f) Problem of human capital development:** This revolves around the question of providing training and development experience, not only for semi-skilled and skilled labour but also at the organizational and managerial levels. There can be no development in a society that is lacking entrepreneurs or innovators who are prepared to risk their capital in business enterprises.

**(g) Poor planning and implementation:** Planning in Nigeria is often politically-innovated. Most of them are not translated into action and often not implemented because of sudden changes in the government.

**(h) Political instability:** Frequent changes in government and incessantness, unrest and civil wars in West African countries discourage foreign investors. This is a very serious impediment to industrialisation.

**(i) Bad government policies:** Certain government policies towards

industrialization are based on favouritism and are not implemented. This does not encourage industrial growth.

**(j) High degree of dependence on foreign products:** Most products made in West Africa are of low quality when compared with those in developed countries. Hence, people prefer or depend on foreign goods rather than patronize home-produced goods.

### 3.8 Objectives of Government Industrial Policy

The federal government industrial policy objectives have been the following:

- (a)** To guarantee the rapid growth and diversification of the industrial sector of Nigerian economy
- (b)** To increase the share of national income originating from manufacturing activities
- (c)** To raise the share of indigenous ownership in total industrial investment in Nigeria
- (d)** To initiate programmes aimed at the promotion and development of indigenous industrial manpower
- (e)** To increase the overall level of employment by creating employment opportunities in the industrial sector
- (f)** To encourage balanced growth and equitable spread of industries in all sections of the country
- (g)** To encourage the growth of a strong and vibrant private sector capable of identifying itself with rapid industrialization of Nigeria
- (h)** To encourage self-sufficiency in local sources of raw materials

### 3.9 Role of Nigerian Government in the Industrialisation Process

The Nigerian Government has been playing a very important role in the country's industrialization process. Some of the ways by which it has promoted industrial expansion include the following:

- (a) Source of industrial capital:** The government supplies the industrial capital needed by both small- and large-scale industries. Credit-providing institutions like the Nigerian Industrial Development Bank (NIDB), the Federal Loans Board (FLB) and the Nigerian Bank of Commerce and Industry (NBCI) were set up to meet the financial needs of all categories of indigenous entrepreneurs.
- (b) Provision of industrial infrastructure:** Good transport network, regular power and water supplies, airport and seaport are being produced by the Nigerian Government for rapid industrial expansion.
- (c) Industrial incentives:** The government provides incentives to indigenous industrialists. These include tax holders for newly established infant industries and exemption from payment of duties for a specified period of time.
- (d) Encouragement of industrial research and training:** This shall give advice to local entrepreneurs who oversee firms, state departments and various corporations. The institute will develop new products to increase

product variety as well as product preservation.

**(e) Government-sponsored trade fairs and exhibitions:** In order to widen the market for home-made goods, both the federal and state governments in Nigeria spend huge sums of money to organise trade exhibitions for locally manufactured goods. These exhibitions provide immense opportunities for indigenous manufacturers to popularise their goods among local and foreign consumers.

This in turn creates new demand for such goods as well as widens the size of the existing local and international markets.

**(f) Provision of a ready market:** Government also provides a ready market for most industrial goods and services in the country, e.g., the Peugeot Automobile Nigeria Ltd.

## ***Summary***

â€¢ Industrialisation is the creation of many industries in a country based on the availability of natural resources and raw materials.

â€¢ **Conditions favouring industrialisation**

**(a)** Availability of natural resources and raw materials

**(b)** Need to conserve foreign exchange

â€¢ **Strategies of industrialisation**

**(a)** Export promotion

**(b)** Import substitution

**(c)** Agricultural industrialization

â€¢ **Problems of industrialisation in Nigeria**

**(a)** Low level of technology

**(b)** Poor infrastructural facilities development

**(c)** Inadequate capital

**(d)** Small size of markets for industrial goods

**(e)** Problem of manpower development

**(f)** Political instability

â€¢ **Objectives of government industrial policy**

**(a)** To guarantee rapid economic growth and diversification

**(b)** To increase the overall level of employment

**(c)** To encourage the growth of private sector

**(d)** To encourage self-sufficiency

## ***Class Activity***

The teacher should lead the students to a cottage industry as well as a modern industry and find out the problems faced by these industries. The teacher should guide the students to discuss these problems.

## **Revision Questions**

### ***Objective Questions***

1. Which of the following factors is not important in deciding the location of an industry?

**(a)** Native language of the people

- (b) Availability of suitable labour
  - (c) Sources of cheap power and raw materials
  - (d) Proximity to the location of a similar industry
  - (e) Proximity to the market
2. Which of these does not encourage industrial development?
- (a) Tax exemption
  - (b) Provision of financial institutions
  - (c) Provision of infrastructural facilities
  - (d) Limitation of market for industrial products
  - (e) Government threats to participate in industrialisation.
3. Industry can simply be defined as
- (a) Many firms producing different products
  - (b) A firm or firms producing similar goods and services
  - (c) Different firms producing different goods
  - (d) Different firms producing equal number of similar goods and services
  - (e) Many firms producing identical goods and services
4. Which of the following is not an objective of the indigenisation policy in Nigeria?
- (a) To make Nigerians dominate their economy
  - (b) To prevent foreign monopoly of the economy
  - (c) To eliminate foreign participation in the economy
  - (d) To protect national interest and security
  - (e) Both (a) and (b)

### ***Essay Questions***

1. (a) Explain the term 'industrialisation'.
- (b) What special features does it possess?
2. Discuss the various favourable conditions that could lead to rapid industrialisation of a country.
3. Write short notes on each of the following:
  - (i) Import substitution
  - (ii) Export promotion
  - (iii) Small-scale versus large-scale industrialisation
4. Discuss the main obstacles to the industrialisation of your country.
5. Briefly outline the various ways in which the government of your country has encouraged industrialisation.

### ***Glossary***

**Industrialisation:** It is a deliberate policy by governments to create many industries in a country. Industrialisation involves the production and the increasing use of machinery and power tools as well as the use of improved technology in production, all of which lead to a higher level of output of industrial goods.

**Export promotion:** This involves deliberate efforts by government to encourage the production of a variety of products for export.

**Import substitution:** This involves deliberate government policies to



encourage the domestic production of certain commodities that would otherwise be imported.