



Research Article

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Assessment of Government Liberalization Policy and the Growth in Nigeria's Trade Industry

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Abstract

Following the outbreak of COVID-19 and the contraction of government revenue, it has become increasingly difficult for government to continue with "subsidy oriented" policies hence, this paper evaluates Nigeria's liberalization policies as a major drivers of trade growth in the country. A quantitative approach was adopted in this paper. Data used in this paper were secondary data sourced from World bank indicators and Central Bank of Nigeria Statistical Bulletin (1980-2018 version). This paper used Error Correction Classical Linear Regression estimate to analyse the data. The result of the study showed that changes in the key liberalization policy variables have significant influence on output growth but not statistically significant to trade growth. Industrialization oriented policies was therefore recommended for Nigeria to actualize her dreams of being an industrialized country, a strong and competitive institution that foster a sustainable industrial sector through policy is also advised. This study adds to the limited available evidence concerning the contribution of government liberation policy on the growth of Nigeria trade sector. It stands as the first to consider trade openness, government liberation policy and the Nigeria industrial sector.

Keywords: COVID-19; Liberalization policy and Trade Openness; Output growth, industrial sector growth; Nigeria

1. Introduction

The COVID-19 outbreak has already caused deep disruption to world industrial output. In Nigeria, the country's economy contracted by 6.1% in the second quarter of 2020, steepest in the last 10 years. This sharp drop in Nigeria's GDP growth is largely due to the slowdown in economic activity following months of lockdown which were initiated to curb the spread of the virus (Kazeem, 2020). This has also forced government at all levels to review their budget projections downwards so as to accommodate the turbulent economic situation. For instance, the federal government of Nigeria have had to revised her projection for revenue from crude oil in 2020 downwards from N2.6tn to N254.2bn more than 50% reduction from the preceding year (Nseobot et.al, 2020). This grim situation shows that government has to come up with viable policies that stimulate growth in the economy. Liberalisation policy is one of those policies which lessen government regulations and restrictions in an economy in exchange for greater participation by private sector. Developed countries pursued economic liberalisation in the past decades in order to maintain and improve global competitiveness in the business environment through partial or full privatisation of government institutions and assets, greater labour market flexibility, lower corporate tax rates, less restrictions on both domestic and foreign capital, and open markets. In developing countries like Nigeria, economic liberalisation policy refers more to further "opening up" of their respective economies to foreign capital and investments. Nigeria is classified as industrially underdeveloped by any standard. Nonetheless, a great deal of effort has gone into the industrialization process. Investment policies have been renewed, fine-tuned, and in some cases completely overhauled plan after plan. Nigeria's performance has not been particularly impressive despite the importance of industrialization (with a focus on manufacturing) for economic development. There is no doubt that liberalisation and the diffusion of technologies that come with industrialisation are essential ingredients for Nigeria's industrial development. The question is whether Nigeria can take advantage of the industrialisation process while also avoiding or minimizing the negative effects of liberalisation on her economy. This is because no country can exist on its own. Firms strive to improve the efficiency of their manufacturing processes in order to compete more effectively with their foreign counterparts. Economic liberalization encourages the growth of export-oriented industries in order to boost the economy's foreign exchange earning capacity and the inflow of raw materials and capital goods (including technological innovations) required for production. In view of this, increased economic openness may lead to improved technology acquisition. Given the gains of liberalisation and the contraction of government revenue due to the COVID-19 outbreak, this paper assesses liberalisation and the growth in the Nigerian trade sector

2. Review of Literature

2.1 *Liberalization and Trade Openness*

Economists have spent decades attempting to explain why countries engage in international trading and specialization into their economies leading to different theories of trade. Adam Smith's absolute advantage theory examines gains derivable from international trade engagements (Edeme and Karimo, 2014). A country that trades internationally, according to this theory, should concentrate on producing a distinct competitive goods and services given accruable advantage. A country can then indulge in exports while importing cheaper commodities from her trading counterparts. These trading experiments were carried out in conjunction with this theory, but its unacceptability led to David Ricardo's comparative cost advantage theory. Even if one country has an absolute advantage in the production of both goods, according to the theory, countries can benefit from each other. Each trading partner will have a comparative advantage if they have a commodity sellable for a higher amount in a different nation than it will in their own nation. A country producing either commodity A or B, the next alternative forgone in the production of good A is the prize of good B sacrificed so as to produce commodity A, according to Haberler's opportunity cost theory. As a result, the opportunity costs of the two commodities are used to calculate the exchange rate between them. The production possibility frontier was used in some studies to further explain the theory. They believe that if two countries engage in trade as a result of division of labour, consumable good will be more available thus more enhanced revenue, in so far as the amounts of goods in both countries prior to trade were different. The implication is that international trade can help reduce efficiency losses caused by domestic monopoly power while also increasing the rate of industries' efficient producers where cost advantages reaped by companies when production becomes efficient still exist. Trade is expected to lower average costs as a result of expanding the total market. Even when a domestic monopolist faces increasing returns, exporting can be profitable if the expected price received from the international dealing is lower than the least average cost. The domestic firm can increase production and increase profits as long as the profit loss due to a decrease in average revenue is less than the profit gain due to a decrease in average cost (Basevi, 1970; Frenkel, 1971).

Industrialization, in theory, is an economic practice that should assist developing economies in gaining a competitive foothold in the market. Liberalisation and globalisation, on the other hand, are a network of foreign trading in commodities as well as financial intermediation through the commodities market integration across the nation's borders and the global financial markets integration, according to Obaseki (2002). Global labor markets, on the other hand, are not as interconnected. Some countries, such as Nigeria, have become overly reliant on crude oil exports, have low manufacturing exports, and have underdeveloped local financial markets. According to

Onwuka and Eguavoen (2007), global interdependence has increased in the last twenty years, implying increased interdependence of local subordinates to international market conditions and practices. Globalization, on the other hand, has benefited developed countries the most, as they have witnessed growth in global share in trade and finance relative to developing countries. Global regional disparities and poverty in developing countries have been exacerbated as a result of this process.

When looking at economic liberalization and industrial output linkage, there is documented evidence supporting various theoretical viewpoints for both developed and developing countries. Krueger and Tuncer (1982) for example adopted sector-level data to show evidence of efficiency accruals in Turkey. Their findings show that more liberalization period have been accompanied by faster total factor productivity growth. Condon, Corbo, and de Melo (1985), Page (1984), Pitt and Lung-Fei (1981), Frenkil (1971) all came to the same conclusion for Chile, India, and Indonesia. Tsao (1985) shows, on the other hand, that during Singapore's rapid growth in the 1970s, productivity growth in some manufacturing sectors was either negligible or negative., Havrylyshyn (1990) after re-examining investigation related to within-country temporal correlations finds no evidence of linkage between productivity and openness.

Pack (1988) in comparing total factor productivity in countries in pursuit of dissimilar foreign trade orientations does not show systematic differences in manufacturing productivity growth. Imports limit market power, according to the hypothesis. Lyons (1979) looked at 23 cross-sectional studies that looked at how foreign competition affected prices, profitability, and price–cost margins. One clear conclusion was that a country's market could no longer be restricted by importation. The hypothesis that an interaction factor existing among seller concentration and import share had a diminishing impact on firm gains in Canada was rejected by Caves, Porter, and Spence (1980). The implication is that with import competition being low, concentration boosts profits. Pugel (1980) suggests that the impact of import competition, as well as seller concentration and entry barriers, should be considered when explaining price–cost margins. Exports have a much more complicated impact on domestic competition. Empirical research did not reach the same conclusion as a result of different theoretical alternatives.

Researches by Pagoulatos and Sorensen (1976), Neumann, Bobel, and Haid (1979), Geroski (1982), and Haddad (1993) for example, claim that industrial profitability is reduced by exports, while works , such as Geroski (1982), using a non-linear model found a positive and significant effect effect of the rate of exports on the profit margin and a negative effect of the rate of imports Harrison (1990) used a panel of 287 firms to estimate market for two periods in Côte d'Ivoire, finding that marginal costs of commodities decreased as witnessed by sectors given the new reform and the adjustment in productivity estimates accounted for changes in marginal cost prices overtime. Trade reform and productivity relationship that is positive is strengthened sector-wise and re-established in others. In the 1980s, increased exposure to

international competition benefited the Turkish industry, according to Forountan's (1991) study. International competition, on the other hand, appears to have a significant impact in the private sector, particularly in the tradable sector. External competition reduced the marginal costs value in the private sector while increasing the rate of productivity growth. High penetration in public sector trading lowers the marginal cost in public-own business organisation with more than average capital intensity, but had no effect on the sector's productivity performance (Ajayi, 2003; Mougani, 2012; Afaha and Njogo 2012; Osabuohien, 2006; Onyeonoru, 2003; Gruszczynski, 2020). Udegbumam (2002) investigated the consequences of the growth in industries given free trade using data from 1970 to 1997. He concluded that trade openness and stock market development are two of the most important determinants of industrial output growth in Nigeria.

In their investigation pertaining to the link relating to free trade policy and performance of industries, Bakare and Fawehinmi (2011) discovered that not only does free trade policy have a long-term negative effect on Nigeria's industrial sector excluding oil sector, but so do public domestic investment, saving rate, capacity utilization, and infrastructure. They believe that improvement is attainable with establishment of modalities in a deregulated trade system. Tamuno and Edoumiekumo (2012) investigated globalisation's effect on industries in Nigeria through the use of mechanism for error correction and Johansen's test for co-integration. They discovered foundational weakness in Nigeria industries that make them to compete unfavourably with their foreign counterparts. Despite the long-run linkage between industrial products and the globalisation proxy variables of degree of openness, direct foreign investment, foreign debt, and nominal exchange rate, they argue that domestic investment was weak and unreliable. Nigerian manufacturing productivity is generally low, according to Adenikinju and Chete (2002), who used firm-level panel data from 1988 to 1990. This is due in part to decades of industrialization strategies that prioritized factor accumulation over factor utilization efficiency. According to the findings of the study, industries that rely heavily on local raw materials outperformed those that rely heavily on imported inputs. Furthermore, foreign ownership has a significant impact on firm performance, with positive spillover effects on other firms in the industry (Olotu and Kaine, 2011; Mesike, et al, 2008, Maliszewska, Mattoo, and Van der Mensbrugge, 2020). According to Ebong et al. (2014), trade openness has a positive impact on industrial development, implying that increasing trade with the rest of the world would open up opportunities to export local raw materials and import necessary inputs into the manufacturing process. Financial liberalization, on the other hand, had a negative impact on industrial development. In their study of financial liberalization and economic growth in Nigeria, Orji et al (2015) discovered that while financial liberalization and private investment have a significant positive impact on economic growth in Nigeria, the real lending rate has a negative relationship with economic growth. Grossman and Helpman (1991) argue that trade openness can influence technological change, resulting in more efficient

production and increased productivity.

According to Adenikinju and Chete (2002), opening up an economy provides enormous opportunities to overcome limitations imposed by shallow domestic markets (particularly in developing economies), potentially increasing the inflow of foreign exchange required to finance essential production imports. Openness, on the other hand, is thought to promote competition, support international trade and specialization, improve market efficiency, and drive the process of economic growth and development, according to economic theory (Fratzscher and Bussiere, 2004). Increased trade with the rest of the world, according to Obong, Udoh, and Obafemi (2014), would allow local raw materials to be exported and necessary industrial inputs to be imported. Industrialization is viewed as a viable means of achieving the lofty and desirable national goals of bettering the citizenry's quality of life. Industrialization is seen as a means of transforming economies by governments, particularly in developing countries (Ayodele and Falokun 2003). They want to use industrialization as a policy to boost national output, reduce inequity in development outcomes, generate funds for the government, reduce reliance on developed countries, and, in some cases, reduce fluctuations in foreign exchange earnings.

These and other goals have conflicting elements, and the necessary trade-offs are rarely made logically. While many governments want to use industrialization to address development in general, they have overlooked the need to develop industries that are best suited to their environment. Many industries, for example, are not designed to make better use of labor and other readily available local resources. As a result, industrialization has had little impact on the problem of domestic resource utilization. Nonetheless, these countries see industrialization as a requirement for breaking the poverty cycle and achieving dynamic, self-sufficient economies.

3. Overview of Liberalisation Policy in Nigeria

Nigeria has used a variety of industrialization methods in its quest for development since independence in 1960. Import substitution strategies, export promotion strategies, and local resource-based strategies are just a few of the options. Different government administration in Nigeria introduced policies geared towards industrial sector's enhancement and growth in order to achieve those established goals. Exemption in taxes, protection of tariffs, relief of import duties, a complete embargo on some international commodities, a speedy fall in allowance, government direct involvement, bonus in exports, and the recommended user- scheme are just a few of the available incentives. The International Raw Material Research and Development Council (IRMRDC) is a non-profit organization dedicated to advancing raw material development (Egbon 1995, Egwaikhide, 1997; Ayodele, and Falokun, 2003; Udah, 2010). Nigeria's aspiration in becoming self-sufficient and gain industrialization status has resulted in adopting free trade policies over time, as can be seen from the above. As a result, it's critical to

examine the economic liberalization policy in place since 1986, including the structural adjustment program's adoption and subsequent policy amendments intended for economy's further liberalization.

Nigerian economy ought to become more open to the rest of the world as a result of the liberalization policy, resulting in increased economic growth. On the other hand, the country continues to struggle with erratic power supply, low manufacturing capacity utilization, infinitesimal agricultural marginal productivity, and massive infrastructural decay. This precarious situation has arisen despite rising aggregate industrial, manufacturing, and mining production indexes. Although Udegbonam (2002), Bakare and Fawehinmi (2011), Tamuno and Edoumiekumo (2012), and other researchers used aggregated variables examining the linkage existing between economic freedom and the Nigerian industries, none have taken into account the possible break in structure that happened due to changes in policy in 1986 and afterwards. This investigation adds to our knowledge of how numerous Nigerian real sectors performed then and after liberalization process, demonstrating the need for future liberalization policies.

4. Materials and Methods

This paper's analysis is anchored on dependency theory developed in the late 1950s by Raul Prebisch which opines that liberalisation exposes poorer developing countries to excessive influence of the industrialized nations. Economic activity in the industrialized countries he noted influences economic problems in the developing countries as developing countries try to adopt industrialized countries' policies without examining the peculiarities. The model is specified in consonance with the neoclassical economic theory which strongly believes that liberalisation trade policies and investment linkages bring about positive industrial output growth for all participating countries. Thus:

$$Y_t = f(X, Z) \text{----- (1)}$$

Where

Y= Output growth of participating countries

X= Liberalisation trade policy

Z= Stock of Investment

4.1 Model Specification

From the above theoretical framework, we present the econometric model of the impact of liberalisation policy on industrial sector and output growth in Nigeria as:

$$IND = f(SPR, PIE, FIN, EPC, TDS, LR, CIR) \text{----- (2)}$$

$$GDP_{gr} = f(SPR, PIE, FIN, TDS, CIR, TOP, IND) \text{----- (3)}$$

Where;

IND = Industrial output proxy by industry value added (% of GDP)

GDP_{gr}= Gross Domestic Product growth rate

SPR= Structural Policy Rating for Nigeria

PIE= Policy and Institutional Environment rating for Nigeria

FIN= Financial Liberalisation measured as stocks of foreign assets & liabilities as a share of GDP

EPC= Electric Power Consumption (kWh per capita)

TDS= Total Debt Service

LR= LENDING RATE

TOP= Trade openness

CIR= Corruption Index Rating (Transparency, accountability & corruption in the public sector rating)

Equations 2 and 3 above could be transformed econometrically as follow:

$$IND_t = \delta_0 + \delta_1 SPR_t + \delta_2 PIE_t + \delta_3 FIN_t + \delta_4 EPC_t + \delta_5 TDS_t + \delta_6 LR_t + \delta_7 CIR_t + \mu_t \quad \text{--- (4)}$$

$$GDPgr_t = \lambda_0 + \lambda_1 SPR_t + \lambda_2 PIE_t + \lambda_3 FIN_t + \lambda_4 TDS_t + \lambda_5 CIR_t + \lambda_6 TOP_t + \lambda_7 IND_t + \varepsilon_t \quad \text{--- (5)}$$

Incorporating the ECM version of these models, we have;

$$\begin{aligned} \Delta IND_{t-1} = & \delta_0 + \delta_1 \Delta SPR_{t-1} + \delta_2 \Delta PIE_{t-1} + \delta_3 \Delta FIN_{t-1} + \delta_4 \Delta EPC_{t-1} + \delta_5 \Delta TDS_{t-1} \\ & + \delta_6 \Delta LR_{t-1} + \delta_7 \Delta CIR_{t-1} + \varphi_8 \mu_{t-1} + v_t \quad \text{--- (6)} \end{aligned}$$

$$\begin{aligned} \Delta GDPgr_{t-1} = & \lambda_0 + \lambda_1 \Delta SPR_{t-1} + \lambda_2 \Delta PIE_{t-2} + \lambda_3 \Delta FIN_{t-1} + \lambda_4 \Delta TDS_{t-1} + \lambda_5 \Delta CIR_{t-1} \\ & + \lambda_6 \Delta TOP_{t-1} + \lambda_7 \Delta IND_{t-1} + \eta_8 \varepsilon_{t-1} + v_t \quad \text{--- (7)} \end{aligned}$$

Where:

δ_i and λ_j = the parameters to be estimated (i and j = 1, 2, ..., 7)

μ_{t-1} and ε_{t-1} = ECM parameters to be estimated

Δ = difference operator

4.2 Estimation Technique

This paper employed the Recursive Regression technique to estimate ECM model in order to avoid the endogeneity problem inherent in the simultaneous nature of the specification. Based on this, the IND version of the GDPgr model is the pre-estimated value from the IND model of equation 4. The best linear unbiased estimators' properties are used to implement this method. Gujurati and Damodar (2009) are two authors who have written about this topic. The data was transformed in Microsoft Excel after the analysis was completed using EView 9.5.

4.3 Nature and Sources of Data

This paper relied on secondary data. Annual time series data from 1980 to 2019 was used in the study. The data series were compiled using World Bank development indicators and CBN statistical bulletins from different years (1980-2018).

4.4 Presentation and Interpretation of Results

First, we conducted a unit root analysis to ascertain the stationary status of the variables used in the two specifications. From the summary group unit root test (common and individual unit roots) as presented in Table one, all the variables are integrated in order of 1, ($\Delta = 1$).

The result in table 1 indicates that the null hypotheses of common as well as individual unit roots were unanimously rejected at first difference ($\Delta = 1$) for the two specifications. This is deduced from the probability values of 0.0000 for the four different approaches estimated. Thus, having the same integration order is an indication that the variables may be cointegrated in the long-run, hence cointegration analysis is conducted to ascertain the cointegration relationship among the variables in the two model. **(Insert table 1 here)**

As a univariate analysis, the Engle Granger Cointegration result is presented in Table 2. The result evaluates the null hypothesis that the time series variables are not cointegrated under deterministic equations **(Insert table 2 here)**.

The cointegration result of table 2 shows that in the industrial output model, tau-statistic detected 5 cointegrating variables (PIE, FIN, EP, LR and CIR), while z-statistic detected 6 cointegrating variables (IND, PIE, FIN, EPC, LR and CIR). This implied that industrial output model is cointegrated and need to be transformed to an Error Correction Model (ECM). Also, for the GDP growth rate model, the tau-statistic detected 1 cointegrating variable (GDPgr), while z-statistic detected 3 cointegrating variables (GDPgr, FIN and TOP). This also implies that in the long-run, GDP growth rate is cointegrated with financial liberalization or trade liberalisation, a prerequisite for the introduction of ECM instead.

Before we present the main estimated model, it is wise to first present the theoretical/normality distribution of the time series variables after the pre-estimation operations (difference) were concluded as was shown in figure 1

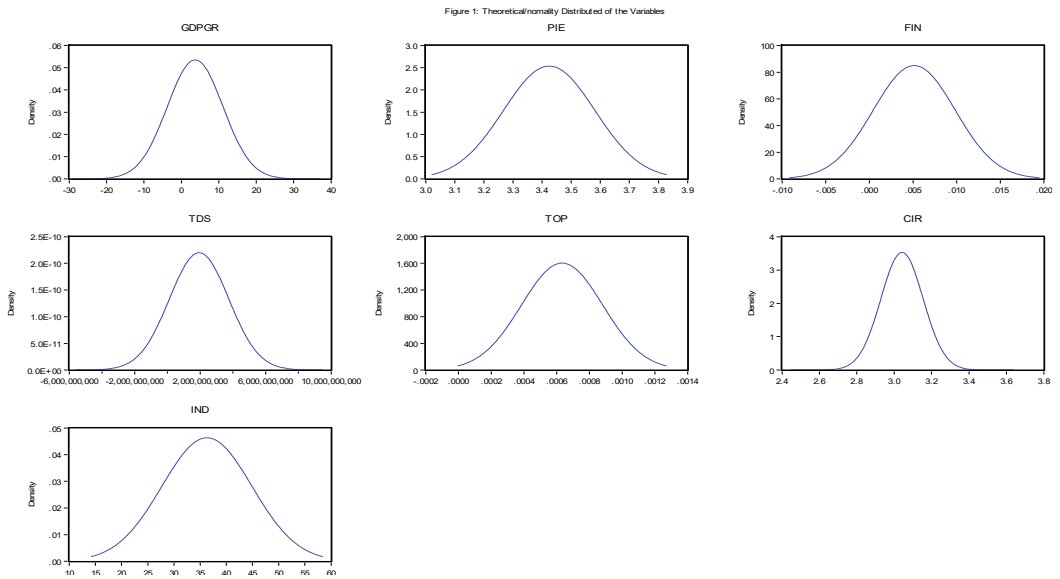


Figure 1: Time Series Variable Normality

Figure 1 show that the time series variables are asymptotically normalized and are fit for the model estimation. The ECM results were estimated using Recursive Regression approach, as a result of the fact that the two specified equations interchanged industrial output (IND) variables. For the first model, IND was endogenous, while in the second equation it was exogenous, raising the fear of possible problem of endogeneity. Hence, to solve this issue, recursive regression approach was introduced and the results are presented in table 3 (**Insert table 3**).

Table 3 shows two different objective outcomes, namely the impact of liberalization policy on industrial output growth and the effect of liberalization on Nigerian output growth. Here, liberalization policy was captured by a number of liberalization policy instruments such as structural policy rating, financial liberalization and the index of policy and institutional environment of Nigeria. The result indicates that structural policy rating (SPR), financial liberalization (FIN), policy and institutional environment rating (PIE) and corruption index rating (CIR) all have negative insignificant impact on industrial sector growth, but significant on output growth in Nigeria, with the exception of financial liberalization which indicates positive and insignificant impact on output growth. On the other hand, variables such as electric power consumption (EPC) and deposit lending rate (LR) indicate significant impact on industrial sector growth, although, EPC show negative association, while LR show positive association.

The policy implication of this result is that even at high deposit lending rate, industrial sector players are willing to investment, but other major challenges such as policy and institutional environment, corruption index, electric power consumption,

financial sector bottleneck, structural and policy inconsistency among others are key factors hindering industrial sector growth. The output growth on another side shows that 1%-point fall in structural policy rating decreases the growth of output by 39 units while poor policy and institutional environment decrease output growth by 6 units, other factors kept fixed. In a similar fashion, poor corruption index of the country decreases output growth by 5.6 units, while huge financial burden of external debt indicates negative but insignificant influence on output growth. The trade openness and industrial sector growth variables indicate positive impact on output growth, but while trade openness shows significant impact, industrial sector growth is insignificant. The result shows that a 1% increase in trade openness boosts output growth by 3.7 units when all other factors remain constant. Our results show that financial sector liberalization has a positive but insignificant impact on output growth over the study period, confirming McKinnon-Shaw and neoclassical school of thought predictions. The result, however, is slightly inconsistent with some previous studies, such as (Tony, et al, 2015), which found a positive significant impact of the financial liberalization index on Nigerian economic growth.

4.5 Error Correction Mechanisms (Ecm)

The coefficients of the ECM01 and ECM02 lag (1), respectively, for the industrial sector growth and output growth models in table 3 show negative values for the speed at which the dependent variable adjusts to equilibrium in the short run. The ECM should be significant and negative, according to theoretical a priori expectations, to indicate that the previous period's error has been corrected and the model has returned to equilibrium. The ECM result of table 3 shows that ECM01(-1) and ECM02(-1) coefficients and t-statistics values associated with them are -0.007581(-2.242800) and -1.038887(-25.66241) respectively. This means that the liberalization policy and other control variables in the models adjust in the short run to correct discrepancies and disequilibrium in the industrial sector and output growth models, with very slow (-0.007% and 1.03%) adjustment speeds within each period studied. The intercepts in the models show that when all the explanatory variables in the model are kept constant, unobservable factors have a positive impact on industrial sector growth and output growth. The fitness of two models is justified by the R^2 values of 0.6226 and 0.9688 with the F-statistics of 5.568 and 105.02, respectively, for the two models. By implication, the first model has overall significant, showing that 62% variation in the industrial sector growth model is explained by the changes in the explanatory variables included in that model. Also, for output growth, approximately 97% variations in output growth is explained in the model, leaving only 3% variation unexplained. Concerning the validity of the theoretical framework adopted for this paper, our finding is in agreement with it. Remember that Dependency Theory rejects the neoclassical model's central distributive mechanism, also known as "trickle-down" economics. The neoclassical economic growth

model, for example, pays little attention to wealth distribution. Its primary concern is efficient production, and it assumes that the market will distribute the benefits of efficient production in a fair and rational manner. This assumption may be correct in a well-integrated, economically fluid economy where people can quickly adjust to economic changes and where non-economic forces such as corruption, ethnic and religious unrest do not distort consumption patterns. These conditions do not exist in developing economies like Nigeria, and dependency theorists argue that economic activity in poor economies is difficult to disseminate. Dependency theorists argue that the market alone is not a sufficient distributive mechanism for these structural reasons. Dependence theorists discount positive associations between liberalization or openness variables and industrial sector and output growth for developing countries because the market only rewards productivity.

5. Conclusion and Policy Recommendations

This paper was organized to investigate the impact of government liberalization policy on industrial sector and output growth in Nigeria using the framework of the Dependency theory. The results show that all the variables used in the models are integrated of first order and exhibits long-run relationships with the dependent variables (industrial sector growth and output growth). The paper found that the government liberalization policy variables significantly impacted on output growth but insignificant to industrial sector growth. Other variables found to distort both industrial sector and output growth are corruption index, poor policy and institutional environment of the economy, huge debt servicing burden, and poor electric power consumption, which seem to cripple most of economic activities that are supposed to impact positively to output and industrial sector growths. Based on these findings, it is pertinent to draw some policy lessons from the findings. In our findings, it is obvious that Dependency Theory holds true for Nigeria, since government liberalization policy which seems to open our domestic economy to foreign influence may not have the desired positive impact on industrialization and output growth target of the government. In line with dependency theory, therefore, government should attempt to pursue policies of self-reliance.

In addition to the government focussing more on policies of self-reliance in order to develop our local capacity, the following recommendation should be pursued too;

i. Since deposit lending rate positively impact on industrial sector growth, we recommend that government, through the monetary policy authority should work harder to keep these variables at a level that will attract genuine borrower as a way of encouraging domestic investment and boost our industrial sector growth. This is significant because excessively high lending rates deter investors from seeking credit from banks, resulting in a reduction in productive activity in the economy.

ii. In all, the importance of sound policy and institutional environment cannot be

overemphasized. No meaningful investment can thrive in an economic with weak policy and institutional environment. We therefore recommend that government should evolve policies to develop and maintain strong institutional environment that will help strengthening the target of industrialization for Nigeria.

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