



The Place of Manufacturing Industries in the Economy of Kaduna State, 1987- 2008

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Abstract

This paper studies the contributions of manufacturing industries to Kaduna State's economy, 1987 - 2008. The paper reveals that almost all the industries in Kaduna State are located in Zaria and Kaduna urban centres. The study also shows that the locations of these industries in Kaduna and Zaria were influenced by government policy and market opportunities. For example, a high concentration of textile manufacturing industries in Kaduna, with just two in Zaria, and none in Soba, Maigana, or Saminaka, which are cotton-producing towns. Some of the major manufacturing industries in the State include Super Phosphate Fertiliser Company Ltd., National Oil and Chemical Company Ltd and Petro-chemical Company Ltd. There are other small to medium scale industries that are too numerous to list but are very important in providing portable equipment for rural dwellers' use. In contrast, the manufacturing sector has been relatively stagnant and losing from 6 percent in 1985 to a range between 4 and 5 percent during the 1990-2007 period. Today, industry accounts for less than 2 percent of Kaduna State GDP. The industrial sector contribution to Kaduna GDP is lower than is expected given that Kaduna was the capital of Northern Nigeria and thus had a head start on other states in the northern part of the country. The paper outlines some measures that should be taken to improve the Kaduna manufacturing industries to contribute more to the state's economic development. Against this background, the paper attempted to proffer a way forward and suggestions for arresting and reversing industrial decline and collapse in Kaduna State and Nigeria in general. The paper finally emphasized the importance of energy for industrial development and the need to address it squarely, especially in the area of energy generation, transmission, and distribution.

Keywords: Manufacturing, Industries, Kaduna State, Economy

Introduction

The paper attempts to examine the contributions of manufacturing industries to the economic development of Kaduna state. These contributions include the provision of employment opportunities, social infrastructure and other essential services. It equally examines the major causes of the industrial collapse, including electricity shortages, multiple taxations, import of foreign goods and services without proper border control, corruption, and failure to implement successive national development plans (1968-1985). Against this backdrop, the paper finally suggests some ways forward for Kaduna state industrial development. Kaduna replaced Zungeru as the headquarters of Northern Provinces in 1917. Kaduna had a much more favourable climate, access to water, and railway and not far from military stationed at Zaria. From 1954 to 1967, Kaduna served as the capital of Northern Region. As the administrative headquarters where the premier of Northern region and



his council resided, Kaduna benefitted from administrative policies and the economy. In the first creation of states in Nigeria by General Yakubu Gowon in 1967, Kaduna was made the headquarters of the newly created North-Central State. In 1987, under the administration of General Ibrahim Badamasi Babangida, Katsina State was created out of the North-Central State. Kaduna town retained its current capital of Kaduna State. These political developments have direct bearings on the nature of industrial development in Kaduna state.

The Industries

Almost all the industries in Kaduna State have been located in Zaria and Kaduna urban centres. Indeed, all the heavy manufacturing industrial establishments are concentrated in Kaduna alone. Government policy and market opportunities influenced the location of industries in Kaduna and Zaria. For example, there was a high concentration of textile manufacturing industries in Kaduna with just two in Zaria, and none in cotton-producing towns of Soba, Maigana and Saminaka, illustrating the strong governmental control.¹The surviving manufacturing industries include those which are either in full operation or in low capacity operation such as the United Nigeria Textile Limited, Kaduna Refinery, Taupauling, The Ikara Tomatoes Company, and an Automobile Assembly Plant (PAN). Other major manufacturing industries in the State include Super Phosphate Fertiliser Company Ltd., National Oil and Chemical Company Ltd and Petro Chemical Company Ltd. There are other small and medium scale industries which are too numerous to list but are very important in providing potable equipment for rural dwellers' use such as in old "Panteka" market, construction of metal doors, windows and frames, boxes; grinding stones, huller machines; Kitchen wares, ox plough blade, planters, shelters², etc.

To better understand the contributions of the manufacturing sector to the economy of Kaduna and Nigeria in general, one needs to understand the type of economic activity practiced in the country. Nigeria is a middle income, mixed economy and emerging market with expanding financial, service, communications, technology and entertainment sectors. Nigeria recently changed its economic analysis to account for rapidly growing contributors to its GDP, such as telecommunications, banking, and its film industry. A rapidly growing manufacturing sector plays an important role in indirect employment. In addition to the well-known role of stimulating backward linkages to primary sectors, growth in manufacturing also promotes growth and employment in service sectors.

The influx of cheap imports into Nigeria affects employment in the manufacturing sector. As a result, employment gains in-debt-driven service sectors were insufficient to make any serious dent in unemployment over this period. The revenue generated from the manufacturing sector directly impacts the growth and employment potential of services which required the revitalization of the manufacturing sector so that real national income can be increased. Based on statistics, Kaduna gets money/fund from the oil share, up to 24 percent in 2007. In contrast, the manufacturing sector has been relatively stagnant, losing from 6 percent in 1985 to between 4 and 5 percent during the 1990-2007 period. From 2008 onwards, industry accounts for less than 2 percent of Kaduna State GDP. The industrial sector contribution to Kaduna GDP is lower than expected given that

¹Index of Economic Activities in Kaduna State, Ministry of Economic Planning, Kaduna state Government, April, 2010, P.18

². Kaduna State Ministry of Commerce, Trade and Industry, list of industries in Kaduna, 2014, P 4



Kaduna was the capital of Northern Nigeria and thus had a head start on other states in the northern part of the country. Kaduna town was once part of the Northern Industrial Triangle. Most activities in the sector are in manufacturing.³

The challenges of the textiles industry, for example, highlight the difficulties of the industrial sector. The harsh economic environment has had a major effect on manufacturing in the state. The energy deficiency has been a major limiting factor to development. Building and construction also contributed to Kaduna GDP. Investment in this sector is always considered important for a dynamic economy. Nigeria needs to create the condition for improvements in this sector. Indeed, it consistently contributed less than 0.5 percent of Kaduna State GDP.⁴

Table: 1. Structure of Kaduna State Economy

Structure of Economic Activities in Kaduna State % of Total, 2002- 2008							
	2002	2003	2004	2005	2006	2007	2008
Agriculture	88.37	86.904	80.462	81.222	80.684	80.848	80.927
Crop	86.121	78.803	78.069	78.673	78.238	78.382	78.406
Industry	1.107	1.245	1.349	1.365	1.320	1.271	0.677
*Manufacturing	1.085	0.993	1.317	1.330	1.276	1.227	0.632
Building and Construction	0.146	1.164	0.403	0.434	0.401	0.375	0.379
W/R Trade	2.360	2.160	3.606	3.762	4.388	4.288	4.523
Services	8.005	9.105	14.177	13.121	13.205	13.217	13.491

Source: Index of Economic Activities in Kaduna State, Ministry of Economic Planning, Kaduna State Government, April 2010

The above table shows the contribution of seven major sectors of the state economy in 2008 as shown on the table it is observed that Agriculture was dominant, accounting for 80.927 percent of economic activities in the state in 2008. Next to it is services which accounted for 78.406 percent of the economic activity of crop production. It was followed by Whole and Retail Trade which accounted for 4.52 percent of state activities, and industry which accounted for 0.677 percent of state activities. Manufacturing accounts for 0.632 percent of the economic activities and contributions to the economy. As shown in the table, the manufacturing sector of the economy suffered serious setbacks as one of the major contributors to the economy in the 1960s and 1970s as discussed but had virtually nothing by the year 2008. In fact, the sector contributed 1.085 percent in 2002, while in 2003 accounted for only 0.993 percent. And 2004 there was little increase to 1.317 percent, 1.276 and 1.227 percent in 2006 and 2007 respectively. As of 2008, the manufacturing sector contributed only 0.632 to the economy. This could be attributed to fact that it was the period when the sector reached its peak of collapsing. At the bottom is Building and Construction, which accounted for 0.379 percent of state activities.

It is important to note that agriculture is the mainstay of the economy of Kaduna State. As shown in the table, it accounts for over 80 percent of state GDP. In this sector, crop production dominates. Indeed, crop production accounts consistently for 78 percent of Kaduna State GDP over the period. Livestock and fisheries make up the balance of agricultural production. The state does

³. Index of Economic Activities in Kaduna State, P.20

⁴. Index of Economic Activities in Kaduna State, P.22



not contribute to forestry. The potential for livestock and fisheries is high in the state and can be promoted to increase the contribution to state and national GDP. The performance of the state as compared to other non-oil producing state has been enhanced by the growing strength of agriculture in the recent past. The declining share of agriculture in national GDP since the mid-1970s has been reversed since 1999. Agriculture's share of GDP rose from 30 percent in 1981 to 36 percent in 2000 and to 42 percent in 2007. Kaduna benefited from the improved performance of agriculture. Wholesale and Retail trade contributed over 4.5 percent of state GDP in 2008. Its share of Kaduna GDP increased steadily from 2.3 percent in 2002 to its present contribution. The final major sector in the structure of the state economy is services. Globally, the expectation is that as the economy grows the role of services will also increase. The expected structural shift in a modern dynamic economy is expected to move towards services.⁵

Revenue Generation for the State

The manufacturing sector of the Kaduna state economy was one of the major suppliers of internally generated revenue for the state which contributed immensely to the economic well-being of the State. According to Salihu Maiwada, a Professor of Industrial Design at Ahmadu Bello University, Zaria, in the 1980s when he was doing his industrial attachment at United Nigerian Textile limited, Kaduna, there were four shifts that is to say, the mills worked for 24 hours non-stop through which the Kaduna state government generated significant revenue. He further mentioned that up to the 2000s when major textile industries closed down, textile industries were the major employer and revenue generator for the state.⁶ The closure of major manufacturing industries in Kaduna has seriously affected the economy and revenue generation. The remaining surviving industries contribute very little to the economy, as shown below:

Table: 2. Revenue Generated by Kaduna State Government between 2000 and 2008
Kaduna State Revenue and Other Receipts

	2000	2008
Gross Statutory	24.57	31.72
Distribution from excess crude A/C as augmentation of state allocation	-	6.60
Share excess Revenue	5.20	4.05
VAT	4.17	5.07
Internally Generated Revenue (IGR)	5.01	8.0
Grants	36.0	s-
Stabilization fund and others	-	-
*MANUFACTURING	1.67	0.61
Others	-	-
Total	77.65%	56.7%

Source: Central Bank of Nigeria Annual Report and Financial Statements, 2008

⁵. Index of Economic Activities in Kaduna State, P.24

⁶. Confidential interview of Professor Salihu Maiwada, Department of Industrial design, Ahmadu Bello University, Zaria, 21st March, 2016. He told me during the interview That manufacturing sector of the industrial sector was the major employer in the economy, He recalled during his service attachment and service years between 1981-1983 the huge number of workers who employed by United Nigerian Textile limited



The above table indicates the major sources of revenue to the state which is statutory allocations. This dependence on a source of revenue that the state does not directly control is not reliable. From the above table, one can see that in 2000, the manufacturing sector of the economy contributed 1.67 percent of the revenue generated and by 2008 it dropped to only 0.61 percent. That explains the speed at which the manufacturing sector was declining. The most important is the internally generated revenue (IGR) which include the money collected by state from markets, shops, companies and other enterprises. For the eight years covered by the above table, the internally generated revenue IGR of Kaduna state was 5.01 percent and 8.0 percent of state total revenue respectively which is certainly very low. This occurred largely as a result of massive closure of industries in the state.

The Way Forward

Since energy has been identified as the backbone of industrial development, to address the challenges facing the sector (power shortages) a drastic and innovative strategy is required, especially as energy generation, transmission and distribution in Nigeria for appropriate development is a priority issue of government.

Planning and Operations

A comprehensive review of the operation and management of the power sector targeted at efficiency and effectiveness is required. In that respect, the following should be undertaken: a detailed national load demand study should be carried out with a view to providing reliable information on the current practical and detailed power requirements, and a forecast for the next 25 years, as recommended by the World Bank. A detailed and practicable power generation, transmission and distribution master plan for Nigeria for today and the next 25 years should be produced. Similarly, detailed cost estimate for a phased development of the power supply on a state-by-state basis is required. The Strategic roles of the states and local governments in the implementation of the National Master Plan must be explicitly stated and a cost-sharing formula for all tiers of government to fully participate in the development of a national power supply must evolve. The institutional arrangements on how the power sector will function with the federal government as the central implementation organ, working in tandem with the states and local governments, should be worked. Finally, the clear role of the states in the energy sector, specifically required to serve as the state monitoring facility on resource contributions, their use and system efficiency should be strategized.⁷

Corruption

Since corruption has been identified as the major impediment for industrial development not only in Kaduna State but in Nigeria in general, the following measures must be taken. It should be remembered that previous administrations established the Independent Corrupt Practices and other Related Offences Commission (ICPC), the Economic and Financial Crimes Commission (EFCC). and the Code of Conduct Bureau and its tribunal with the primary objective of fighting against corruption; unfortunately, they performed below expectations. In fact, instead of prosecuting corrupt politicians and public office holders, they are being used as hunting dogs against government opponents. The Federal Government of Nigeria in collaboration with the anti-corruption

⁷ Sambo, Op cit., 3-16.



commissions, should ensure that those who collected loans from the Bank of Industry for the purpose of establishing industries are compelled to pay back the funds. It is attested by the Managing Director of the Bank of Industry, Mr. Rasheed Olaoluwa, that many people defaulted who borrowed from the bank:

.... some banks had to close shop due to the inability or refusal of borrowers to pay back their loans.... [We} regretted the low level of loan repayment in the banking sector, [and] we advocated the establishment of commercial courts to speedily deal with [the] issue of loan defaulting, because most banks in the country had gone down because of non-repayment of loans by the customers. We need efficient commercial courts. We need access to funds to finance our businesses, but we also need to understand what the financial system is going through. When a bank collapses, nine times out of ten [the] reason why it collapsed is because they have not been able to recover their loans. I know there are bank cases that have been in court for the last 5 to 7 years with banks trying to recover loans that have proven very difficult because such cases are locked up in our normal courts. One way to address it is to have commercial courts that can fast track [the] process for foreclosure of defaulting bank loans.⁸

The public should be educated and enlightened on the nature of corruption as well as the negative effects of corruption on the economy and society. This should be done through both print and electronic media. The federal and state Ministries of Information and both federal and state Orientation Agencies should embark on aggressive campaigns. Since most of the cases of corruption in Nigeria have to do with money, a law should be established to compel all banks to report to both federal and state Boards of Inland Revenue/tax authorities, as well as the law enforcement agencies, any deposits, transfers or withdrawals of funds in excess of a specified amount (ten million Naira) by any individual. Such a law should provide for automatic state confiscation if it turns out that the sources of such funds are proved in a court of law to be illegitimate or are connected with money laundering. The authority concerned should ensure implementation of the required taxpaying in the form of capital gains tax to be levied against people who appear to have come into large sums of money illegitimately or even legitimately.

Most of the money accumulated through corruption in Nigeria is being used to purchase houses, land and other real estates. In view of that both the federal and state ministries responsible for land and housing surveys should request applicants to indicate legal sources of funds for the development or purchase of a property, as well as evidence of income taxes being paid that are commensurate with the acquisition or possession of such valued property before granting Certificates of Occupancy and approval of building plans on registered plots of land.⁹

Political, religious and community leaders should not interfere in the activity of the anti-corruption agencies (EFFC and ICPC), no matter who and how highly placed in society the persons involved in corruption may be. We have seen a case in which the Federal Government of Nigeria pardoned the Governor of Bayelsa State, Diepreye Alamiyeseigha, after he had been convicted by a court of law in the United Kingdom. The Federal Executive Council of Nigeria, under the leadership of President Good luck Jonathan, announced the pardon as stated below:

⁸“Bank of Industry Moves against Defaulters”, *Vanguard*, September 15, 2014: 32.

⁹S.J. Okoye, *How to Tackle Corruption in Nigeria*, p. 7.



The Council of State, based on a request by President Good luck Jonathan, granted pardon to former Bayelsa State Governor, Chief Diepreye Alamieyeseigha, and some other President has pardoned a former state governor who was convicted of stealing millions of dollars while in office¹⁰persons who had been convicted for various offences. The law which mandated public declaration of the assets especially of political office holders and civil servants should be extended to other categories of people.

The Federal Government should ensure all corruption cases are attended to, and judgement is passed, in good time.

Reviving Industrial Training Institutions

In this paper, we argued for the imperative need to establish industrial training centres and institutions. Unfortunately, at present most of the industrial and training centres are no longer functional, and so for the industrial sector of Nigeria to be revived, these institutions also must be revived. The following suggestions are offered: There is a need for capacity building through training in high-technology, small- and medium-scale industries in the industrial sector, and the establishment of joint ventures in critical sectors.

In order to have competent engineers in Nigeria, training facilities for engineering design, production engineering and metal fabrication should be established. Professionalism in the industrial sector of Nigeria should be promoted through the establishment and enforcement of standards in the profession. And trade and craft associations should be involved in the modern industrial techniques for mutual support and capacity building. Databanks of domestic resources of skills, equipment and facilities in the manufacturing sector should be established.

Through training, industrial stakeholders should be properly guided as to how to develop their industry and its market. Similarly, both the federal and state governments should support and promote research in the area of industrial development in tertiary institutions, particularly in all polytechnics and universities in Nigeria. Encourage originality and innovation by promoting research and learning in the sector. Adequate funds should be provided for research and training for the industrial sector of Nigeria. State governments with industrial potential should be encouraged to establish industrial training institutions.

The federal government and international donors should provide special funds with the aim of reviving industries and quality control and standardization in small- and medium-scale enterprises should be promoted in order to create and maintain large and steady markets for their products. Linkages and partnerships with foreign enterprises should be promoted in order to facilitate technology transfer and trade in capital goods. There is a need to promote the establishment of enterprises and facilities in the critical areas of production technology and manufacture. Foster linkages and long-term contractual relationships between small- and medium-scale iron and steel enterprises and large-scale manufacturers and other customers have to be ensured. Finally, the performance of banks of agriculture and industry should be enhanced and adequate funds should be provided. However, only those who deserve to benefit should be granted loans through due process.¹¹

¹⁰ www.voanews.com/content/Nigerian-President-ex-governor

¹¹ Y.B. Usman, "Mr. President, are you serious about NEEDS?" Open letter to President Olusegun Obasanjo on the National Economic Empowerment and Development Strategy, pp. 21-23.



Incentives for Industrial Development

Previous governments have provided numerous incentives for industrial development in Nigeria, but the desired goals were not achieved. Therefore, more effective incentives for industrial development should be provided, under strict supervision, as follows:

Companies' profits in respect of goods exported from Nigeria should be exempted from tax, provided the proceeds are repatriated to Nigeria and used exclusively for the purchase of raw materials, plant equipment and spare parts. Profits of companies whose supplies are exclusively used to manufacture products for export should be excluded from tax. All new industrial undertakings, including foreign companies and individuals operating in an export processing zone (EPZ), should be allowed full tax holidays for three consecutive years. To encourage industrial technology, companies and other organizations that engage in research and development activities for commercialization should be allowed to enjoy a 20% investment tax credit on their qualifying expenditure.

All companies engaged wholly in the manufacture of tools, spare parts and simple machinery for local consumption and export should be allowed a 25% investment tax credit on their qualifying capital expenditure. Any taxpayer who purchases locally manufactured machinery should be similarly entitled to a 15% investment tax credit on such fixed assets bought for use.¹²

In 1991 the Nigerian government established an EPZ, which allows interested parties to set up industries and businesses within demarcated zones, to export the goods and services manufactured or produced within the zones. The programme's main thrust was to encourage the export of locally manufactured products.¹³ For instance, Calabar in Cross River State has been designated as the primary EPZ territory in Nigeria. Incentives within the territory include tax holiday relief; unrestricted remittance of profits and dividends earned by foreign investors; no import or export licenses are required; up to 100% foreign ownership of enterprises is permitted; sale of up to 25% of production is permitted in the domestic market, etc. Those are admirable incentives for industrial development, but implementation has always been the problem. All exports under the Nigerian value added tax (VAT) system should be zero-rated, and dividends received from investment in export-oriented businesses should be free of tax.

The Nigerian government's overdependence on oil, which constitutes about 95% of revenue, has also contributed immensely to the decline and eventual collapse of non-oil industries in Kaduna, particularly. In order to reindustrialize Nigeria and generate a stronger and more stable growth rate, the government must increase production in the non-oil sector of the economy by creating a level playing field for private sector-led activity – essentially, for economic growth and development, which includes the following sectors¹⁴:

- i. Agriculture and agro-business
- ii. Solid minerals development
- iii. other manufacturing, including information and communications technology (ICT)
- iv. Tourism

Other expected areas of concentration that will equally engender accelerated economic growth, industrial development and poverty reduction are:

¹²Federal Government of Nigeria, *Investment Opportunities in the Non-oil Sector*, pp. 24-34.

¹³Federal Ministry of Industries, *Nigerian Policy and Strategy Guidelines to Investors*, 23.

¹⁴Federal Ministry of Trade, Industry and Tourism: *Investment Incentives*, p. 2.



- Diversification of the productive base of the economy.
- Emphasis on agriculture and rural development to consolidate existing initiatives in ensuring food security and export possibilities, particularly in cassava, rice production, textiles, cash crops, livestock, and vegetable oil.
- Continued privatization of government-owned companies and public utilities.
- Maximum use of the opportunity available to the textile and garment industry through the African Growth Opportunity Act (AGOA).
- Promotion of environmental protection and management.
- Making Nigeria the hub of economic activity in West Africa.
- Sensitization of the Nigerian public about the concept of the New Partnership for Africa's Development (NEPAD), which is the political and socio-economic programme of the African Union (AU), and recognized as the expression of Africa's collective determination to develop and integrate into the global economy.
- Nigeria's home-grown poverty-reduction strategy known as NEEDS – National Economic Empowerment and Development Strategy – should be fully implemented.¹⁵

Conclusion

Manufacturing plays an irreplaceable role in driving growth and economic development. Kaduna manufacturing continues to be heavily dominated by resource-processing sectors that are capital- and energy-intensive; a structural shift towards higher growth in more value-adding and a higher labour-absorbing manufacturing sector is essential for Nigeria to shift to a development path that generates more growth and higher levels of employment. The economic prosperity that Kaduna state enjoyed in the past can still be revived through the massive orientation and cultural revolution. However, since the industrial development of Nigeria is tied to agriculture, agriculture must be given more priority, particularly in cotton, wheat, maize and other important agricultural products. They will go a long way in feeding our local industries with raw materials cultivated locally. The paper has also attempted to proffer a way forward and suggestions for arresting and reversing industrial decline and collapse in Kaduna State and Nigeria in general. The study has emphasized the importance of energy for industrial development and the need to address it squarely, especially in the area of energy generation, transmission, and distribution. The paper has also identified corruption as a major impediment to industrial development in Kaduna State and Nigeria in general. It, therefore, suggests that the Independent Corrupt Practices and Other Related Offences Commission (ICPC), the Economic and Financial Crimes Commission (EFCC), and the Code of Conduct Bureau should be allowed to discharge their responsibilities according to the law that established them.

¹⁵ Y.B. Usman, "Mr. President, Are you serious about NEEDS?" "Open letter to President Olusegun Obasanjo on the National Economic Empowerment and Development Strategy, pp. 18-21

