



Economic Development and Industrialisation in Nigeria: The Role of the Bank of Industry

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In the wake of the recent economic recession, the first since 1991, Nigeria released a new development plan – Economic Recovery and Growth Plan (ERGP) – that set out specific objectives towards achieving economic growth of 7% by 2020. This release followed earlier plans such as Nigeria Industrial Revolution Plan (NIRP), National Economic Empowerment and Development Strategy (NEEDS), the 7-point agenda, and others that targeted both economic growth and development within a specified period. While Nigeria has recorded some measure of growth as a result of the implementation of these plans, the recent recession and an identification of the contributing factors (such as global oil price reduction, unavailability of Foreign Exchange etc.) have shown that Nigeria needs to develop sustainable sources of foreign exchange earnings to fund economic development, besides oil.

Towards ensuring more sustainable growth, Nigeria has to prioritise the attainment of **economic development** that ensures long-term growth. Such emphasis on economic development will require a clear definition of economic development for Nigeria, how it can be attained, and identification of key actors and roles towards its attainment.

Although GDP growth is essential for development, other metrics such as improved competitiveness and standards of living are also important to ensure economic development.

The terms economic growth and economic development are often used interchangeably, however, they have quite distinct meanings. Economic growth is an increase in aggregate national output and is usually of short term benefit. Conversely, *economic development* involves the fundamental transformation of an economy, leading to long-term economic benefits. It is about positioning the economy on a higher growth trajectory while focusing on improving intrinsic development factors such as unemployment, literacy,

life expectancy and poverty rates. This can be achieved by causing institutional changes, altering the industrial structure, the educational and occupational characteristics of the population, and indeed the entire social and institutional fabric of a nation. It is the product of long-term investment in the generation of new ideas, knowledge transfer and infrastructure. Economic development requires quality improvements and innovation. As a result, a necessary requirement to realising development is the presence of the *innovative entrepreneur*. These entrepreneurs usually focus on introducing goods that are of higher value and can comfortably compete within and outside the country.

Nigeria possesses an abundance of natural resources and comparative advantages that present a good starting point for the pursuit of sustainable economic development.

In addition to a favourable climate, Nigeria has vast amounts of natural resources and a large population. It has the 6th largest gas reserves and the 8th largest crude oil reserves in the world. It is also endowed in commercial quantities with about 44 solid mineral types and has a population of close to 200million.

The existence of these comparative advantages presents vast opportunities with which Nigeria can push for a trend of continuous economic development.

However, in order to fully utilise these advantages, Nigeria must encourage the notion of competition at both the local and internal levels. Such improved focus will see industry attach a premium on improving productivity. It will also see the industry in Nigeria transition from a focus on the production of primary goods to a production of secondary goods that are higher in value.

In Nigeria, such transition is possible only through the mechanisation of the production process. Such introduction is argued to be a hallmark of **industrialisation**. As a result, a focus on the attainment of economic

development in Nigeria is indicative of a focus on driving the process of industrialisation within the country.

Where does the Bank of Industry come in?

The Bank of Industry (“BOI”) is one of the public institutions that are tasked with the mandate of promoting industrialisation in Nigeria. The bank does this by providing both business and financial support to small and large scale enterprises in the country. Such support provides enterprises with finance needed to acquire equipment (machines) to improve the efficiency of the production process. It also provides them with business advisory services towards ensuring that they have the requisite capabilities and know-how needed to operate sustainably.

BOI’s role in enabling industrialisation, and consequently economic development, cannot be understated as the application of machinery is necessary for industrialisation to occur. Enterprises must be able to acquire the machines that will enable them produce goods that are not only value-adding, but can also compete both locally and internationally.

In consideration of the impact that finance has to supporting entrepreneurship in Nigeria, and the fact that the ERGP and NIRP has placed industrialisation and competition as being central to achieving its objectives, BOI’s role as a financier of enterprises has seen it being depicted as probably the most important tool the government has to promote economic development in Nigeria.

2018 will likely see increased nationwide emphasis on developmental initiatives as various agencies push to meet agreed growth targets. In direct response to existing challenges to industrialisation and development, BOI will strengthen collaborations for greater developmental impact and increase support for enterprises, leading to improved competition, innovation and economic development of Nigeria.