Banks Credits And Manufacturing Growth In Nigeria

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Abstracts

The main objective of this paper is to investigate Banks credits and manufacturing growth in Nigeria from 1978 – 2015. The study employed secondary data, which was obtained from Central Bank of Nigeria Statistical bulletin (2015). The variables in the model have long run cointegration. In the results, three of the coefficient variables; Capital formation (CAP), Capacity utilization (CU) and Commercial bank loans to the manufacturing sector (BLM) have the correct signs and are significant at the 5 percent level. This is an indication that these variables determine manufacturing sector's growth in the long run. Crude oil production has a positive sign and is significant only at the 10 percent level. Thus, in the long run, crude oil production positively stimulates the growth of the manufacturing sector in Nigeria. This is explained by the oil revenue which is generated from crude oil production and is used to procure capital equipment and other inputs necessary for the growth of the manufacturing sector. It thus implies that proper deployment of oil revenues can enhance growth of the manufacturing sector in Nigeria.

Keywords: Banks Credits, Manufacturing Growth & Nigeria

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1.0 INTRODUCTION

In today's world there is no doubt the manufacturing sector is the basis for determining economic efficiency. The sector acts as a catalyst that accelerates the pace of structural transformation and diversification of the economy, enables a country to fully utilize its factor endowment and to depend less on foreign supply of finished goods or raw materials for its economic growth, development and sustainability. It plays a pivotal role as vehicle for the production of goods and services, creation of employment and generation of incomes.

In Nigeria, prior to the oil boom of the 1970's, manufacturing accounts for roughly 7.5% of national output. Since a peak of 7.83% in 1982, the contribution of manufacturing as a share of total economic output in Nigeria generally declined. In 1987 import bans on raw materials were imposed under the World Bank Structural Adjustment Programmes (SAPs) encouraging import substitution. Intermediary input manufacturers were able to produce competitively again, and there were fewer plant closures. This, combined with the Privatization and Commercialization Act of 1988, encouraged a higher degree of efficiency to be achieved in manufacturing. Throughout the 1990s and 2000's, Nigeria reliance on export of oil allows the manufacture to remain in decline drastically. Firms were not export orientated, and lacked efficiency, causing competitive companies to relocate factories abroad. A few key industries, such as beverages, textiles, cement and tobacco kept the sector afloat, but even these operated at under half of their capacity.

At present, manufacturing sector constitutes a small fraction of GDP and accounts for less than 5% of aggregate output in the economy. Manufacturing sector constitutes a small fraction of GDP and accounts for less than 5% of aggregate output in the economy. Value-added of manufacturing activities at current basic prices stood at N764.101 billion in 2012. The robust growth of the manufacturing sector continued albeit at a slower pace in the first half of 2012, with a growth rate of 9.9% compared with 13.4% in 2011, due to temporary closure of some manufacturing activity in the Northern region occasioned by the worsening security situation in that part of the country and labour strike against fuel price subsidy withdrawal. Some manufacturing plants in other parts of the country which were not affected directly by the Boko Haram uprising operated at lower capacity due to disruption in supply chain.

In a bid to revitalize the manufacturing sector, successive government since independence in 1960 has engaged in several reforms. The governments have since implemented several national development plans and programmes aimed at boosting productivity, as well as, diversifying the domestic economic base. Several banking sector reforms have been done to ensure ease of access to credits to the manufacturers. The banks were seen as the most important savings mobilization and financial resources allocation institutions. Were, Nzomoi and Rutto (2012) asserted that commercial bank sector is the key conduit for financial intermediation in the economy.They are saddled with the responsibility of intermediating between the surplus and deficit units of the economy are crucial in ameliorating the problem of unimpressive performance in the manufacturing sector. These credits have improved investment leading to growth in the manufacturing sector and through them, commercial banks performance objectives are expected to be met (Diamond, 1984; Casolaro et al, 2002).

Despite the implementation of several banking sector reforms, the manufacturing sector in Nigeria still experience declining growth due to difficulty in accessing financial resources especially from the commercial banks that hold about 90% of the total financial sector assets and concentrate their loans to the oil and gas sectors (Abubakar and Gani, 2013). These myriad financing challenges facing the real sector call for the reassessment of finance-growth nexus in Nigeria real sector performance. This study sets out to determine the impact of commercial bank loans on growth of the manufacturing sector in Nigeria. In addition, it also examines whether or not the impact of commercial bank loans supersedes the impact of other factors.

Empirical Review

Past studies in the area of bank lending seem to have focused on bank performance (Iwuala,2008; Uche and Akujobi, 2008). The major worry with both studies lies in their inability to select some performance indicators that cut across the entire banking industry (CBN, 2006). One would have expected such studies to apply those performance indicators as suggested by Central Bank of Nigeria (2006) which cut across the banking industry so as to permit credibility and generalization of results of studies. Others are the works of Onyeanwu, (2008);Aligwekwe, (2007) and Chukwuendu and Arokoyo, (2007). For instance, Chukwuendu and Arokoyo, (2007) were of the view that credit to manufacturing sector is a necessity in increasing the capital base for manufacturers in Nigeria since most small-scale firms do not always have enough funds for production.

Akujuobi and Chima, (2013) examined the effect of commercial bank credit to the production sector on economic development in Nigeria, adopting a multiple regression model over the period 1960 to 2008. Using a co-integration analysis, it reveals the existence of a long run relationship between credit to the production sector and the level of economic development in Nigeria.Ajayi, (2007) empirically test the impact of bank credit on industrial performance in Nigeria from 1975 to 2003. He confirmed that bank credit and inflation have positive and negative effect respectively on industrial performance.

Andrus Oks, (2001) confirms statistically positive relationship between industrial production index and loans to the private sector. Vuyyuri,(2005) investigated the co-integration relationship and causality between the financial and the real sectors of the Indian economy using monthly observation from 1992 to 2002. Johansen, (1988) multivariate co-integration test supported the long-run equilibrium relationship between the financial sector and the real sector, and the Granger test showed unidirectional Granger causality between financial sector and the real sector of the economy.

Towase, (2012) examined the effects of bank loans and advances on industrial performance in Nigeria between 1975 and 2009 using co-integration and error correction technique. Based on the findings, it could be concluded that commercial bank loans and advances to industrial sector, aggregate savings, interest rate and inflation rate are major long run determinants of industrial performance in Nigeria as expressed by the level of Real Gross Domestic Product Manufacture in the economy.
Adenikinju and Chete, (2003) conducted an empirical analysis of the performance of the Nigeria manufacturing sector over a 30-year period and observed that the sector was performing with satisfactory growth levels from 1970 to 1980. But, between 1980 and 2007, the Nigerian manufacturing subsector recorded a systematic decline in capacity utilization. Anyanwu (2005) with findings similar to that of Adenikinju and Chete observed that the world oil market in early 1980s and the prolonged economic recession which led to sharp fall in foreign exchange earnings of Nigeria, further led to a fall in performance level of the manufacturing sector in the country.

Akinlo, (2012) assessed the importance of oil in the development of Nigerian economy using multivariate VAR model over the period 1960 to 2006. Empirical evidence shows that five subsectors are co-integrated and that the oil had adverse effect on the manufacturing sector. Granger causality test finds bi-directional causality between oil and the growth of the manufacturing sector.Olomola=, (2006) in his empirical study on the oil price shock and aggregate economic activity in Nigeria, used a VAR model with quarterly data from 1970 to 2003. The findings showed that while oil prices significantly influence exchange rate, it does not have significant effect on output and inflation in Nigeria. He concluded that an increase in the price of oil results in wealth effects which appreciates the exchange rate and increases the demand for non-tradable, a situation that would result in 'Dutch Disease'.

Alli, (2008) reviewed more current performance of the Nigerian manufacturing sector by surveying the results of a study conducted in 2007 by Manufacturing Association of Nigeria (MAN). The report disclosed that during the last few years, many manufacturing companies in the country have faced bad times. The reason behind the slow growth and performance of the Nigerian manufacturing sector during the last few years include high production cost caused by energy, high interest rate and exchange rate, influx of inferior and substandard product from other nations, inadequate credits facilities, multiplicities of taxes and levies among others.

Ojogwu, (2003) with his analysis of the situation of the Nigeria manufacturing sector, concluded that capacity utilization is an important issue that must be properly addressed in all discussions and all measures to be taken in the future. the researcher argues that the sector is progressing very slowly due to low capacity utilization such as capacity decline, capacity expansion and capacity mortality are essential discussion points in the issue of bringing quality into the performance of the Nigerian manufacturing sector.

Alos, (2000) analysed the business environment of Nigeria and observed that the performance of the manufacturing sector has been very uncertain, even nearly chaotic for many years. The researcher also pointed out another important barrier that exists in the Nigerian manufacturing sector, and that is the low rate of capital utilization. He observed that in the manufacturing sector, there is gross under-utilization of resources only 30 to 40 percent of the capital is being utilized in this sector owing to frequent power outages, lack of fund to procure inputs, fall in demand for manufactured goods and frequent strikes and lockouts by workers and their employers.

Model Specification

Although the standard CES production functions are special cases of the general Cobb-Douglas Production Function (CDPF), Shen and Whalley (2013) derives a Capital-Labour-Energy Substitution in Nested CES Production for energy based economies. Since in

Nigeria large share of manufacturing output is based on oil resources, we utilise a variant of Shen and Whalley (2013) and derived a Capital-Labour-Resources Substitution in Nested CES Production. We estimate an experimental model from our three-factor two-level aggregate production function (X) with inputs capital(K), Labour(L) and Resources(R), where B, p, and β are respectively efficiency, substitution and distribution parameters. We denote the first level of the two-level CES function by (3.1):

$$X = B[\beta K^{-p} + (1-\beta)L^{-p}]^{-\frac{1}{p}} \quad (3.1)$$

For the second level, we nested (3.1) to CES function of X and E, (3.2) and obtained (3.3).

$$Y = A\left[\alpha X^{-\theta} + (1-\alpha)R^{-\theta}\right]^{-\frac{1}{\theta}} \quad (3.2)$$

$$Y = A\left[\alpha\left(B[\beta K^{-P} + (1-\beta)L^{-P}]^{-\frac{1}{p}}\right)^{-\theta} + (1-\alpha)R^{-\theta}\right]^{-\frac{1}{\theta}} \quad (3.3)$$

If we denote (3.3) –one of the three nested structures of the three-factor two level CES production function – as (K,L)C, accordingly, the other two nested structures of the three-factor two-level CES production function (K,R)L and (R,L)K can be expressed as

$$Y = A\left[\alpha\left(B[\beta K^{-P} + (1-\beta)R^{-P}]^{-\frac{1}{p}}\right)^{-\theta} + (1-\alpha)L^{-\theta}\right]^{-\frac{1}{\theta}} \quad (3.4)$$

$$Y = A\left[\alpha\left(B[\beta R^{-P} + (1-\beta)L^{-P}]^{-\frac{1}{p}}\right)^{-\theta} + (1-\alpha)K^{-\theta}\right]^{-\frac{1}{\theta}} \quad (3.5)$$

By introducing logarithm on (3.5), estimation of the parameters may seem straightforward. However, there are some problems that need to be addressed further before we have reliable estimates of substitution elasticities. Estimating substitution elasticities by using the Kmenta approximation has been proved unsuitable when an underlying CES function different from the Cobb-Douglas form is used (Thursby and Lovel, 1978; Henningsen, 2000). Results based on non-linear optimization techniques in many cases seem problematic due to convergence problems, yield unstable estimates and are based on un-normalized CES functions that merely a change of measure may lead to quite different substitution elasticity estimates (Henningsen and Henningsen, 2012). To avoid complex estimation of Kmenta approximation, researchers use system of linear equations derived from the first order conditions of cost minimization.

distribution parameter between K and L; π'_O , distribution parameter between K, L and R, ρ Substitution parameter between K and L and θ, Substitution parameter between K, L and R. Assume all the three factor markets are competitive, then $\pi = \frac{r_o K_o}{Y_o}$ and $\pi'_O = \frac{P^x_O X_o}{Y_o}$.

Let $B = X_o\left[\pi_o K^p_O + (1-\pi_o)L^p_O\right]^{-\frac{1}{p}}$ and $A = Y_o\left[\pi'_O X^\theta_O + (1-\pi'_O)R^\theta_O\right]^{-\frac{1}{p}}$

Hence, $\beta = \frac{\pi_O K^P_O}{\pi_O K^P_O + (1-\pi_O)L^P_O}$ and $\alpha = \frac{\pi_O{}' X_O{}^\theta}{\pi^\theta_O{}' X^\theta_O + (1-\pi_O{}')R^\theta_O}$

we can rewrite equation (3.3) as

$$Y = Y_O\left[\pi'_O\left(\pi_O\left(\frac{k}{k_O}\right) + (1-\pi_O)\left(\frac{L}{L}\right)^{-p}\right)^{\frac{\theta}{p}} + (1-\pi'_O)\left(\frac{R}{R_O}\right)^{-\theta}\right]^{-\frac{1}{\theta}} \quad (3.6)$$

By allowing for Hicks-neutral technological change in production function, equation (3.6) can be expressed as

$$\frac{Y}{Y_o} = \xi e^{\lambda t}\left[\pi'_O\left(\pi_O\left(\frac{K}{K_O}\right)^{-p} + (1-\pi_O)\left(\frac{L}{L_O}\right)^{-p}\right)^{\frac{\theta}{p}} + (1-\pi'_O)\left(\frac{R}{R_O}\right)^{-\theta}\right]^{-\frac{1}{\theta}} \quad (3.7)$$

By further considering parameter for return to scale v, we have

$$\frac{Y}{Y_o} = \xi e^{\lambda t}\left[\pi'_O\left(\pi_O\left(\frac{K}{K_O}\right)^{-p} + (1-\pi_O)\left(\frac{L}{L_O}\right)^{-p}\right)^{\frac{\theta}{p}} + (1-\pi'_O)\left(\frac{R}{R_O}\right)^{-\theta}\right]^{-\frac{v}{p}} \quad (3.8)$$

In addition to considering raw (unadjusted)labour (L) as input in our nested CES specifications as equation (3.6) and (3.7), since as suggested (Romer, 1986 and Lucas, 1988), human capital importantly importance accounts for economic growth, so we include human capital accumulation H in the nested function. Since we assumed that education and training for human adjust the quality of labour in the function, hence HL denotes 'quality' adjusted labour in the model.

$$\frac{Y}{Y_o} = \xi e^{\lambda t}\left[\pi_o'\left(\pi_o\left(\frac{K}{K_o}\right)^{-p} + (1-\pi_o)\left(\frac{HL}{HL_o}\right)^{-p}\right)^{\frac{\theta}{p}} + (1-\pi_o')\left(\frac{R}{R}\right)^{-\theta}\right]^{-\frac{1}{\theta}} \quad (3.9)$$

$$\frac{Y}{Y_o} = \xi e^{\lambda t}\left[\pi_o'\left(\pi_o\left(\frac{K}{K_o}\right)^{-p} + (1-\pi_o)\left(\frac{HL}{HL_o}\right)^{-p}\right)^{\frac{\theta}{p}} + (1-\pi_o')\left(\frac{E}{E_o}\right)^{-\theta}\right]^{-\frac{v}{\theta}} \text{------- } (3.10)$$

So far, (3.7)-(3.10) present four different specifications of the nested CES structure (K,L)R. correspondingly, we can also use similar specifications to (3.7) - (3.10) for the other two nested structures of the three-factor two-level CES production function (K,R)L and (R,L)K. In our Euler equation, Y/Y_0 is the aggregate output ratio, K/K_0 is capital ratio and HL/HL_0 is human capital ratio. In order to obtain the empirical version of (3.10) for estimation purposes, we first overcome the its cumbersome nature by forming the hypothesis that there is convergence in the long run. That is, as t tends to infinity (t→α), there will be exponential decay so that (3.10)becomes:

$$\frac{Y}{Y_o} = \left[\pi_o'\left(\pi_o\left(\frac{K}{K_o}\right)^{-p} + (1-\pi_o)\left(\frac{HL}{HL_o}\right)^{-p}\right)^{\frac{\theta}{p}} + (1-\pi_o')\left(\frac{E}{E_o}\right)^{-\theta}\right]^{-\frac{v}{\theta}} \quad (3.11)$$

We also assume that substitution parameterρ (in the case of K and L) and Θ (in the case of Capital, Labour and Resources) tends towards zero so that our CES production function becomes identical with our Cobb-Douglas production function. With this, (3.11) reduces to:

$$\frac{Y}{Y_o} = AK^{\beta_1}L^{\beta_2}R^{\beta_3} \quad (3.12)$$

Lets specify our aggregate production function in equation (3.12) to become disaggregated manufacturing sector by making growth rate of real Gross Domestic Product of manufacturing sector (GRGDPM) our dependent variable. Also, we replace labour (L), capital(K), and Resources (R) with Capacity Utilization (CU), Capital formation (CAP) and Crude Oil Output (COO), respectively and present (3.12) in specific form as (3.13).

$$GEGDPM = ACAP^{\beta_1}CU^{\beta_2}BLM^{\beta_3}COO^{\beta_4} \quad (3.\ 13)$$

It can be expressed in econometrics form as

$$GRGDPM = ACAP^{\beta_1}CU^{\beta_2}BLM^{\beta_5}COO^{\beta_4}e^{\mu_t} \quad (3.14)$$

Since the study sets out to see effect of banks credits on manufacturing output, we therefore include the Commercial Bank Loans to the manufacturing sector (BLM), to the list of independent variables in (3.14). Since (3.14) is non-linear, we linearized it with 'double logarithmic transformation' to obtain (3.15).

$$lnGRGDPM = lnA + \beta_1 lnCAP + \beta_2 lnCU + \beta_3 lnBLM + \beta_4 lnCOO + \mu_t \quad (3.15)$$

$$lnGRGDPM = \beta_0 + \beta_1 lnCAP + \beta_2 lnCU + \beta_3 lnBLM + \beta_4 lnCOO + \mu_t \quad (3.16)$$

Where$nA = \beta_0, \beta_1, \beta_2, \beta_3, \beta_4$are the parameter estimates of the independent variables expected to be signed as $(\beta_1 > 0, \beta_2 > 0, \beta_3 > 0, \beta_4 < 0)$.

To fully underscore the hypothesized relationships between commercial bank loans and the growth of the manufacturing sector as set ab-initio, this study makes use of model which used co-integration analysis, unit root test within the environment of Vector Error Correction Model (VECM).Granger causality test will be used to ascertain the direction of causality between commercial bank loans and the growth of manufacturing sector. The first step in co-integration is the stationarity test or unit root test. A unit root test shall be carried out to obtain results of the stationarity of the variable. That is, to verify whether the assumption of Ordinary Least Square (OLS) are violated or not. This means that the time series have to be detrended before any sensible regression analysis can be performed.

The co-integration test is performed to determine if the group of non-stationary series is co-integrated or not. If co-integrated, it implies that there exists a long run relationship among some or all of the variables in the system. Therefore, Error Correction Model (ECM) is specified for the analysis of short run dynamics.

Model Results

Unit Root test

The Augmented Dickey Fuller (ADF) test is employed in order to analyze the unit roots. The results are presented in levels and first difference. The result in table 4.1 indicates that the time series variables are difference stationary in levels. An examination of the result shows the ADF test statistic for each of the variables is greater than the 95 percent critical ADF values (in absolute terms). Specifically, each variable are 1(1).

Table 4.1: Unit Root Test for Variables in First Difference

Variables	ADF Test Statistic	ADF Test Statistic	95% Critical Value
DGRGDPM	-2.5125*	-3.2811**	-2.9970
DCAP	-1.8735*	-5.8253**	-2.9970
DCU	-1.1008*	-3.1879**	-2.9970
DBLM	-1.0676*	-3.4991**	-2.9970
DCOP	-1.7373*	-4.6342**	-2.9970

* shows that the variable is non-stationary. ** indicate that the variable is difference stationary.

Cointegration Result

The co-integration test is based on the argument that given that time series variables have unit roots, a long run relationship exists between a linear combination of such series. Due to the nature of the study, the Engle and Granger (1987) two stage method is employed in the co-integration test. This method follows a simple procedure that involves two steps. First, the OLS estimation of the relationship is initially performed and the residuals are obtained. Second, unit root test is conducted on the residuals. If the residuals are found to be stationary, then these variables are regarded as co-integrated. The result of the Engle and Granger co-integration test is presented in table 4.2 below.

Table 4.2: Residual Based Co-integration Test

ADF lag	ADF Test Statistics	95% Critical ADF Value	Remark
1	-5.3610	-5.0236	Stationary

From the reported result in the table above, the ADF statistic of -5.3610 exceeds the 95 percent critical ADF value of -5.0236 (in absolute terms). This clearly indicates that the residuals are stationary. Indeed, there is co-integration between growth rates of Gross Domestic Product of the Manufacturing sector (GRGDPM) and the selected regressors in the model. Thus, we conclude that a long run relationship exists between growth rate of Gross Domestic Product of the manufacturing sector and the independent variables.

The Long Run Analysis

The long run analysis relationship between growth of Gross Domestic Product of the manufacturing sector (GRGDPM) and its regressors is presented in the table below.

Table 4.3 Long Run Result: Dependent Variable: GRGDPM

Variables	Coefficient	T-ratio
C	2.1672	1.3997
CAP	1.2090	2.6583
CU	0.87851	2.8936
BLM	1.7658	2.4352
COP	1.6793	1.8673

An examination of the long run empirical results shows that only the coefficient estimates and asymptotic t-ratios are reported. In the results, three of the coefficient variables; Capital formation (CAP), Capacity utilization (CU) and Commercial bank loans to the manufacturing sector (BLM) have the correct signs and are significant at the 5 percent level. This is an indication that these variables determine manufacturing sector's growth in the long run. Crude oil production has a positive sign and is significant only at the 10 percent level. Thus, in the long run, crude oil production positively stimulates the growth of the manufacturing sector in Nigeria. This is explained by the oil revenue which is generated from crude oil production and is used to procure capital equipment and other inputs necessary for the growth of the manufacturing sector. It thus implies that proper deployment of oil revenues can enhance growth of the manufacturing sector in Nigeria.

Error Correction Model

The short run dynamic behavior of Growth rate of Gross Domestic Product of the Manufacturing sector (GRGDPM) with respect to temporary changes in its regressors can be analysed with the content of an Error Correction Model (ECM). The Auto-Regressive Distributed Lag (ARDL) approach is used for the estimation of the ECM. It should be noted that the Schwarz Bayesian Criterion was used to select the parsimonious equation. The result of the ECM is presented below.

Table 4.4 Parsimonious Error Correction Model

Variables	Coefficient	Standard Error	T-Ratio
C	1.89980	1.43221	1.32651
DCAP	0.57303	0.21123	2.7128
DCU	0.24961	0.09287	2.6897
DBLM	0.50583	0.20764	2.4360
DCOP	-0.64375	0.30379	-2.11906
DCOPI	0.50461	0.48926	1.03137
ECM(-1)	-0.63725	0.25724	-2.47725
R-Squared	0.97402		
Adjusted R-Squared	0.92270		
Mean of Dependent Variable	0.19532	F-Stat (6,21)	22.243
Residual Sum of Square	0.42252	S.D of Variable	0.32309
D.W-Statistic	2.113		

An examination of the error correction results indicates that the R-square is 0.97, while its adjusted counterpart is a better goodness of fit is 0.92. Given the adjusted R-squared of 0.92, it can be concluded that about 92 percent of the systematic variations in Growth of Real Gross Domestic Product of the Manufacturing sector (GRGDPM) is explained by the independent variables. Only about 8 percent of the variation is attributed to chance occurrences. The stability in the relationship between growth of Gross Domestic Product of the manufacturing sector and all the explanatory variables taken together (the overall goodness of fit of the model) is good as the F-value of 22.234, which is highly significant at the 1 percent level. Thus, the hypothesis of a log-linear relationship between the dependent variables is validated.

In terms of the individual explanatory variables, all their signs (except one lagged crude oil production) satisfy a priori expectations and their t-values are significant at 5 percent level. This result implies that Capital Formation, Capacity Utilization, Commercial Bank Loans and current Crude Oil Production are significant variables influencing the growth (performance) of the manufacturing sector in Nigeria. Given the negative coefficient of crude oil production, it is thus clear that crude oil has negatively affected the performance of the manufacturing sector in Nigeria. This is the much popularized 'Dutch disease' phenomenon, in which the discovery and exploitation of crude oil has had a dampening effect on the growth of critical sector, such as the Agricultural and Manufacturing sector. The Durbin Watson (DW) statistic of 2.113, shows that the estimated model is free from the problem of serial correlation because it falls within the neighborhood of 2.Apart from the diagonistic statistics, the error correction term is appropriately negative as theory predicts and is significant at the 5 percent level. Thus, any short run disequilibrium in the system will be adjusted in the long run. The coefficient of 0.637 indicates that the speed of adjustment of growth of the manufacturing sector GDP is about 64 percent.

CONCLUSION

Nigeria has an undoubted potential to earn more income, generate employment and reduce poverty through with a thriving manufacturing sector. Bank credits are critical to the functioning and growth of the real sector of the economy. The overdependence on the oil sector at the detriment of more growth-enhancing sector, such as the manufacturing sector is responsible for the weak industrial base and poor linkages in the economy. This has contributed largely to the poor economic base of the nation. In order to fast-track rapid economic growth and development, Nigeria must diversify her economic base to critical non-oil producing sectors such as manufacturing and agricultural sector.

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