

# IMPACT OF FISCAL POLICY ON MANUFACTURING SECTOR GROWTH PERFORMANCE IN NIGERIA

Abiola Olawale M.

Research and Economic policy Division, Manufacturers Association of Nigeria.

## **ABSTRACT**

*This research delves into the correlation between Nigeria's manufacturing sector and Government Capital Expenditure. Employing regression analysis, we leverage time series data spanning 1981 to 2022 to shed light on this dynamic relationship. The study affirms the stationarity of all variables after first differencing. Furthermore, the Johansen co-integration test unveils a long-run equilibrium relationship among the selected variables, namely Value of Manufacturing output, Government Capital Expenditure, Value Added Tax, and Customs and Excise Duty. The analysis uncovers a robust and positive connection between the growth performance of the manufacturing sector and Government Capital Expenditure throughout the examined timeframe. The findings indicate that increased Government Capital Expenditure correlates with enhanced growth in the manufacturing sector output. This study underscores the critical role of public investment in fostering economic growth and industrial development. The results suggest that strategic allocation of resources towards infrastructure, regulatory frameworks, and supportive policies can significantly impact the vibrancy and competitiveness of Nigeria's manufacturing sector.*

## **KEYWORDS**

*Manufacturing sector, Capital Expenditure, Value Added Tax, Customs and Excise duty, Co-integration*

## **1. INTRODUCTION**

### **1.1. Background of the Study**

The resilience of an economy hinges on its ability to navigate the ever-shifting tides of the global market. Effective government policies and robust policy-making institutions are instrumental in ensuring consistent economic productivity while minimizing the disruptive contractions of the business cycle. In Nigeria, a nation striving for economic diversification and job creation, the manufacturing sector holds immense potential. However, its growth performance has remained sluggish compared to other sectors like oil. Fiscal policy, the government's use of spending and taxation as levers to influence the economy, presents a powerful tool for unlocking the true potential of Nigeria's manufacturing sector.

Fiscal policy operates through a delicate interplay of government spending and taxation. On one hand, increased **government expenditure** on strategic infrastructure development, particularly in transportation networks and reliable power generation, can significantly improve the operational efficiency of Nigerian manufacturers. Efficient transportation logistics reduce time and costs associated with moving raw materials and finished goods, while a stable power supply eliminates production disruptions and allows for smoother operations. Additionally, government investment in research and development (R&D) can foster innovation within the manufacturing sector, leading to the development of new products and processes that enhance competitiveness in the global marketplace.

On the other hand, taxation plays a crucial role in shaping the investment climate for the manufacturing sector. High corporate tax rates and a complex tax code can create a disincentive for investment, hindering business expansion and innovation. Conversely, strategically designed tax breaks and incentives can stimulate investment, particularly in sub-sectors with high growth potential. For example, tax breaks for investments in green technologies or export-oriented production can encourage manufacturers to adopt sustainable practices and expand their reach into international markets.

Customs and excise duties represent two essential forms of indirect taxation imposed by governments on the import, export, production, consumption, or sale of certain goods and services. Customs duties are taxes levied on goods imported into or exported from a country. These duties are typically imposed to control the flow of goods across borders, safeguard domestic industries from foreign competition, and generate revenue for the government. Customs duties are calculated based on factors such as the value of the goods, their quantity, and their country of origin. Excise duties, on the other hand, are taxes imposed on specific goods produced or consumed within a country. These duties are often targeted at goods deemed harmful to public health or the environment, such as tobacco, alcohol, and fuel. By taxing these products, governments aim to reduce consumption, mitigate negative externalities, and raise additional revenue to fund public services. Both customs and excise duties serve as important policy tools for governments to achieve various economic objectives. For instance, customs duties can be used to protect domestic manufacturing sector from unfair competition, while excise duties can promote healthier lifestyles and environmental sustainability by discouraging the consumption of harmful products.

The manufacturing sector in Nigeria has consistently been recognized as a pivotal player in the country's economic advancement. Endowed with a diverse array of raw materials and a substantial workforce, Nigeria is well-positioned to harness its manufacturing capacities for enduring expansion. Within Nigeria, the manufacturing sector serves as a cornerstone, offering significant contributions to the nation's economic landscape.

Nigeria's manufacturing industry plays a vital role in driving industrialization, job creation, and value addition to raw materials. By utilizing its abundant resources and skilled labor force, Nigeria can enhance its manufacturing output, increase productivity, and stimulate economic growth across various sectors.

Furthermore, the manufacturing sector in Nigeria holds the potential to reduce the country's dependence on oil revenues, diversify its economy, and foster innovation and technological advancement. By focusing on sectors such as Agro-processing, textiles, automotive, and pharmaceuticals, Nigeria can capitalize on its comparative advantages and establish itself as a competitive player in the global market.

The manufacturing sector is not merely a cog in the economic machine; it serves as the very fulcrum upon which a nation's prosperity pivots. In Nigeria, despite the current dominance of the oil and gas sector, manufacturing remains the backbone of a robust and diversified economy. And an effective fiscal policy goes beyond simply allocating funds and adjusting tax rates. Fiscal transparency and predictability are crucial for creating a stable business environment and encouraging long-term investment decisions within the manufacturing sector.

## **1.2. Statement of the Problem**

The true value of any research lies in its ability to tackle critical societal challenges. In Nigeria, the unpredictable nature and potential depletion of crude oil reserves underscore the urgent need

for economic diversification. Unfortunately, the nation's historical focus on oil revenue has resulted in the neglect of the manufacturing sector, a vital engine for long-term growth and industrialization.

Despite extensive literature highlighting the manufacturing sector's crucial role in propelling industrialization, its contribution to Nigeria's GDP has sadly declined. Decades of neglect by successive governments are a key culprit. Fiscal policies that could mitigate internal and external economic shocks impacting production incentives have been lacking.

The manufacturing sector has long suffered from neglect, mismanagement, inconsistent and poorly conceived fiscal policies, the absence of a clear national industrial strategy, and inadequate infrastructure. Shifting focus towards this sector through the effective implementation of well-crafted fiscal policies is crucial for Nigeria's economic recovery.

This research project aims to examine Nigeria's manufacturing sector output and how government expenditures, Value Added Tax (VAT), and Excise Duty impositions significantly impact the sector's growth performance.

### **1.3. Objectives of the Study**

The broad objective of this study is to examine the impact of fiscal policy on manufacturing sector growth performance in Nigeria. The study has the following specific objectives:

- i. To examine the impact of Government Capital Expenditure on manufacturing sector Output Growth in Nigeria.
- ii. To examine the effect of Customs and Excise Duties on the manufacturing sector Output Growth in Nigeria.
- iii. To examine the Effect of Value Added Tax (VAT) on manufacturing sector Output Growth in Nigeria.

### **1.4. Research Questions**

This research work will enable the researcher to come up with answers to the following research questions namely:

- i. Does Government Capital Expenditure on infrastructure impact manufacturing output Growth in Nigeria?
- ii. Does the imposition of Customs and Excise Duties on manufacturing sector output have impact on its Outputs Growth in Nigeria?
- iii. Does Value Added Tax (VAT) influence the manufacturing Outputs in Nigeria?

### **1.5. Significance of the Study**

The critical necessity of this study lies in acquiring current knowledge regarding the impact of government expenditure on the manufacturing sector growth performance. This study holds theoretical significance by shedding light on the relationship between government expenditure and the manufacturing sector, offering insights into the constraints that impede the effectiveness of public expenditure as a driver of economic growth and development.

Moreover, the practical importance of this study is underscored by the potential of its findings to guide policymakers in advancing economic growth in Nigeria without resorting to substantial deficit financing. The research outcomes are poised to serve as a valuable policy tool for decision-makers, aiding them in formulating strategies that promote sustainable economic

development. Additionally, the research report is positioned to serve as a credible source of information for a diverse audience, including students and researchers seeking to delve deeper into this subject area.

## **2. LITERATURE REVIEW**

This section delves into the crucial exploration encompassing both theoretical and empirical research, analyzing the influence of fiscal policy on the growth performance of the manufacturing sector. The research aims to shed light on the theoretical foundations supporting fiscal policy and the manufacturing sector growth, while evaluating the current landscape of pertinent empirical literature. Additionally, it will navigate the distinctive contribution this study aims to provide, identifying existing gaps in the literature that our research aims to address. By meticulously synthesizing theoretical frameworks and scrutinizing previous research, this section establishes the foundation for the subsequent analysis and findings, paving the way for a nuanced comprehension of our study's objectives and methodology.

### **2.1. Conceptual Clarification / Review**

#### **2.1.1. Manufacturing and Manufacturing Sector**

Manufacturing is the intricate process that involves the utilization of tools, human labour, machinery, and chemical processes to transform raw resources into final consumer goods, intermediates, or semi-finished products, as highlighted by Ogundipe (2022). This multifaceted sector also incorporates the utilization of cutting-edge technology, sophisticated equipment, and machinery to produce goods and services that enhance human welfare and elevate people's quality of life, as emphasized by Okon (2017). It stands as a cornerstone for economic prosperity, playing fundamental role in the production of goods and services, the creation of job opportunities, and the generation of substantial income.

The manufacturing sector, acting as a driver for economic advancement, propels structural transformation and economic diversification, allowing a nation to capitalize on its resource wealth and diminish dependence on foreign aid, as articulated by Egbiku Joshua (2018). Industries, through the provision of both finished products and raw materials, significantly contribute to economic growth, development, and sustainability. Furthermore, the productivity of the non-manufacturing sector is intricately intertwined with the growth of the manufacturing sector.

By fostering innovation, enhancing skills development, and fostering technological advancements, the manufacturing sector not only drives economic growth but also boosts competitiveness on a global scale. It serves as a catalyst for industrialization, encouraging value addition, supporting small and medium-sized enterprises, and fostering economic resilience. Additionally, the manufacturing sector plays a pivotal role in promoting trade, attracting investments, and spurring overall socio-economic development within a country. Its significance extends beyond production to encompass broader societal benefits, such as improved infrastructure, technological progress, and enhanced living standards for the populace.

In Nigeria, the manufacturing sector plays a pivotal role, making a significant contribution to the country's Gross Domestic Product (GDP) by fostering job creation, wealth generation, and increased government tax revenue, as emphasized by Elhiraika (2008). The sector's expansion not only boosts internal production but also drives demand for goods and services that are sourced

externally, such as agricultural and mining products or items that require importation due to insufficient domestic manufacturing capacity.

Moreover, the industrial sector's growth acts as a catalyst for the increased demand for various services, ranging from banking and insurance to other professional services. This surge in demand not only bolsters the service sector but also contributes to its rapid expansion. The symbiotic relationship between the manufacturing and service sectors creates a dynamic ecosystem that fuels economic growth, enhances employment opportunities, and fosters a robust business environment.

Additionally, the manufacturing sector in Nigeria serves as a platform for technological advancement, skills development, and knowledge transfer. By embracing innovative practices, adopting modern technologies, and investing in human capital, the sector drives productivity improvements, enhances competitiveness, and positions Nigeria as a key player in the global market.

### **2.1.2. The Government Expenditures**

Government expenditure refers to the financial resources allocated by the government to fulfill its constitutional obligations, which encompass the provision of social services, defence, and other essential functions. These expenditures encompass the costs associated with maintaining government operations, supporting society, and bolstering the economy. Public expenditure falls within the realm of public finance, which scrutinizes how financial resources, both monetary and non-monetary, are utilized or should be allocated to enable the state to achieve its growth objectives effectively.

In contemporary times, public expenditure has become as indispensable as mineral oil, acting as a vital component that drives economic development forward. It serves as a fiscal instrument through which a government manages financial flows within the economy, influences demand and supply dynamics, executes diverse developmental strategies, and implements its social, economic, and political policies.

The allocation of government expenditure plays a pivotal role in shaping the overall economic landscape of a nation. By strategically directing funds towards key sectors such as education, healthcare, infrastructure, and defence, governments can stimulate economic growth, enhance social welfare, and foster sustainable development. Additionally, government expenditure plays a crucial role in stabilizing the economy during periods of uncertainty or recession through fiscal stimulus measures aimed at boosting aggregate demand and mitigating economic downturns.

Furthermore, government expenditure has a multiplier effect on the economy, generating ripple effects across various sectors. For instance, investments in infrastructure not only create immediate job opportunities but also lay the foundation for long-term economic growth by improving connectivity, reducing transportation costs, and enhancing overall productivity. Similarly, expenditures on education and healthcare contribute to human capital development, leading to a more skilled and productive workforce that can drive innovation and competitiveness.

Moreover, government expenditure influences income distribution by funding social welfare programs, poverty alleviation initiatives, and support for marginalized populations. By ensuring equitable access to essential services and resources, government expenditure plays a crucial role in reducing socio-economic disparities and promoting inclusive growth.

Government expenditure is a fundamental tool through which a government steers economic development, fosters social progress, and implements policy objectives. By judiciously allocating financial resources, governments can address societal needs, spur economic growth, and create a conducive environment for sustainable development. Effective management of government expenditure is crucial for achieving balanced economic growth, social cohesion, and long-term prosperity for a nation and its citizens.

### **2.1.3. Fiscal Policy**

Fiscal policy encompasses the strategic employment of government funds, including taxation and borrowings, to navigate economic activities and shape the levels of demand, output, and employment growth within an economy. It involves the macroeconomic management conducted by the government, leveraging its revenue and expenditure capacities to actualize specific economic goals, such as fostering economic growth and development, as highlighted by Medee and Nembee (2011).

The primary tools of fiscal policy are taxation and government spending. Taxation serves as a means for the government to collect revenue from individuals and businesses, influencing disposable income levels and consumption patterns. By adjusting tax rates, governments can stimulate or dampen consumer spending, thereby impacting aggregate demand and economic activity. On the other hand, government spending includes investments in infrastructure, social programs, defense, and other areas that contribute to economic growth and social welfare.

Through fiscal policy, governments aim to achieve various macroeconomic objectives. During periods of economic downturn, expansionary fiscal policies may be implemented to boost aggregate demand, stimulate investment, and create employment opportunities. This can involve increased government spending and/or tax cuts to inject liquidity into the economy and encourage consumer and business spending. Conversely, during times of inflation or economic overheating, contractionary fiscal policies may be adopted to curb excessive demand and control inflation. This could entail reducing government spending and increasing taxes to cool down the economy.

Fiscal policy also plays a crucial role in addressing income inequality and promoting social welfare. By redistributing wealth through progressive taxation and funding social programs, governments can enhance equity and ensure that resources are allocated fairly across society. In addition, targeted fiscal policies can support marginalized groups, improve access to education and healthcare, and create opportunities for economic mobility, thereby fostering a more inclusive and sustainable economy.

Moreover, fiscal policy influences long-term economic growth through investments in infrastructure, education, healthcare, and research and development. By prioritizing these areas, governments can enhance productivity, innovation, and competitiveness, laying the groundwork for sustained economic prosperity. Strategic fiscal policies can also support industry-specific initiatives, promote entrepreneurship, and attract investments that drive sectoral growth and diversification.

### **2.1.4. Manufacturing Output**

Manufacturing output, the lifeblood of any industrialized nation, serves as a crucial metric for gauging a nation's economic health and industrial prowess. It encompasses the total value of all finished and semi-finished goods produced within a specific timeframe, typically measured in months or years. These goods can be destined for direct consumer purchase or further integration into more complex products by other businesses.

The measurement of manufacturing output can be as straightforward as tallying the total units of goods manufactured within the sector during designated periods. This metric plays a pivotal role in assessing the productivity and economic performance of the manufacturing sector. The volume and quality of goods produced not only reflect the sector's efficiency and capacity but also indicate its contribution to overall economic growth. Monitoring manufacturing output provides insights into trends, demand fluctuations, and industry dynamics, enabling stakeholders to make informed decisions regarding production levels, resource allocation, and market strategies.

Furthermore, manufacturing output serves as a key indicator of industrial health, competitiveness, and technological advancement within a country's economy. A robust manufacturing output signifies a thriving sector capable of meeting domestic demand, driving exports, and fostering job creation. It also signifies the sector's ability to innovate, adapt to market changes, and contribute significantly to gross domestic product (GDP) and overall economic stability.

In essence, tracking manufacturing output offers valuable insights into the pulse of the manufacturing sector, its resilience in the face of challenges, and its potential for growth and development. By analyzing this metric, policymakers, investors, and industry stakeholders can gauge the sector's performance, identify areas for improvement, and devise strategies to enhance productivity, efficiency, and competitiveness in alignment with broader economic objectives. Ultimately, understanding and optimizing manufacturing output is instrumental in shaping a vibrant, sustainable, and prosperous industrial landscape.

### **2.1.5. Effects of Fiscal Policy on the Manufacturing Sector**

Fiscal policy wields significant influence over aggregate demand, wealth distribution, and the growth of the manufacturing sector. In a state of dynamic equilibrium, alterations in government spending or tax policies can affect not only the composition of demand but also the scale of services provided.

At its core, fiscal policy serves as a potent tool for governments to regulate economic activities and steer growth trajectories. By adjusting government spending levels, policymakers can directly impact aggregate demand, influencing consumer expenditure, business investments, and overall economic output. Similarly, changes in taxation rates can alter disposable income levels, consumer behavior, and investment decisions, consequently shaping the pattern of demand within the economy.

Moreover, fiscal policy plays a pivotal role in wealth distribution by determining how government revenues are collected and allocated. Through progressive taxation and targeted social spending, governments can address income disparities, promote social equity, and enhance the well-being of marginalized populations. By redistributing resources effectively, fiscal policy can contribute to a more balanced and inclusive society, fostering economic stability and social cohesion.

The manufacturing sector, as a key driver of economic growth and industrial development, is particularly sensitive to changes in fiscal policy. Government expenditures directed towards infrastructure projects, research and development initiatives, and industry-specific incentives can bolster the competitiveness of the manufacturing sector, enhance productivity, and stimulate innovation. Conversely, tax policies that impact manufacturing firms' costs of production, market access, or investment incentives can influence the sector's growth trajectory and overall contribution to the economy.

In times of economic downturn or recession, expansionary fiscal policies can play a crucial role in supporting the manufacturing sector. Increased government spending on infrastructure projects, subsidies for manufacturing industries, and incentives for technological advancements can stimulate demand for manufactured goods, create employment opportunities, and drive sectoral growth. By injecting liquidity into the economy through fiscal stimulus measures, governments can help revive the manufacturing sector and catalyze broader economic recovery.

Conversely, during periods of inflation or overheating, contractionary fiscal policies may be necessary to rein in excessive demand and control inflationary pressures. By reducing government spending and tightening fiscal measures, policymakers can mitigate the risk of overheating in the economy and maintain price stability. However, it is essential to strike a balance between fiscal restraint and support for the manufacturing sector to ensure sustainable growth and stability in the long run.

In all, fiscal policy plays a multifaceted role in shaping economic dynamics, wealth distribution, and the growth trajectory of the manufacturing sector. By judiciously managing government spending and taxation, policymakers can influence aggregate demand, promote social equity, and support the development of key industries. Strategic fiscal policy decisions are essential for fostering a resilient and inclusive economy, driving sustainable growth, and ensuring prosperity for all segments of society.

#### **2.1.6. Taxation**

Taxation is a mandatory financial payment imposed by governments on individuals, businesses, property owners or other entities based on specific activities, transactions, or income without quid pro quo. From its early roots in tributes, tithes, and Zakat, taxation has evolved into a complex system that funds essential public services. It serves as a primary source of revenue for governments to fund public expenditures such as infrastructure development, healthcare, education, defence, and various social welfare programmes. These taxes come in various forms, such as income tax, sales tax, Value Added Tax, corporate income tax and property tax, each with its own impact on resource allocation.

The concept of taxation revolves around the principle of mandatory payment, where individuals and entities are legally obligated to contribute a portion of their income or economic activities to the government. Taxes can be imposed at various levels, including local, state, and federal levels, with different types of taxes serving different purposes.

Governments utilize taxation to reallocate resources from private to government use through two distinct steps. Firstly, individuals' ability to command resources diminishes because taxation reduces the income available for spending on goods and services. Secondly, this revenue allows governments to invest in infrastructure development, healthcare, education, defence, and various social welfare programmes – these are public goods and services that benefit society as a whole, but may not be adequately provided by the private sector alone.

In the context of taxation financing, the resources released by private individuals and made available to the government may not always match the resources required to produce the government-chosen goods and services. In such instances, the government's demands on resources, coupled with the reduction in private demands due to taxation, can alter the relative prices of certain inputs.

Overall, taxation plays a crucial role in the functioning of a society by ensuring the equitable distribution of resources, funding public services, and promoting economic stability and growth.



Understanding the principles and implications of taxation is essential for individuals and businesses to fulfill their tax obligations and contribute to the broader societal welfare.

### **2.1.7. The Nigerian Tax System**

The history of Nigeria's tax system is a testament to its evolution from traditional forms of taxation to the modern, structured framework in place today. Dating back to the eighteenth century, traditional rulers and local authorities collected funds from citizens for development projects in their respective areas. However, the foundations of the modern tax system were laid in 1904 with the introduction of personal income tax, initially known as community tax. Subsequent developments, particularly the amalgamation of the Southern and Northern Protectorates in 1914, led to the transfer of the Native Revenue Ordinance of 1917 to the northern region in 1918 and 1927.

Since then, Nigeria's tax system has undergone continuous evolution, with efforts focused on modernization, expansion, and reform. The country operates a three-tier system of government, aligning with its federal structure. The Federal Inland Revenue Service (FIRS) is responsible for tax collection and management at the federal level, while State Boards of Internal Revenue and local government committees perform similar functions at the states and local Governments levels, respectively. To avoid conflicts, the 1999 Constitution categorizes governmental responsibilities into exclusive, concurrent, and residual lists, clearly defining the powers of each tier.

Legislation on taxation falls under the purview of the National Assembly, which has the authority to legislate on matters such as income tax, profits, and capital gains. State Houses of Assembly can specify the collection of taxes, fees, or rates within their jurisdiction, as long as they do not conflict with federal laws. This framework ensures a clear division of tax powers among the federal, state, and local governments, promoting effective tax administration and fiscal management nationwide.

Major reforms in the Nigerian tax system were initiated in the 1990s, with the establishment of study groups to examine both direct and indirect tax regimes. The introduction of the Value Added Tax (VAT) in 1993 marked a significant shift towards a consumption-based tax system, diversifying revenue sources. Initially, VAT proceeds were shared among the three tiers of government, with the federal government receiving 20%, states 50%, and local governments 30%.

In April 2012, President Goodluck Ebele Jonathan launched the National Tax Policy document, ushering in notable changes to the tax landscape. These included a reduction in personal income tax from 25% to 15%, and company income tax from 30% to 20%. However, VAT was increased from 5% to 7.5%, and various tax incentives were streamlined to enhance revenue generation.

A significant aspect of the 2012 National Tax Policy was the introduction of the Tax Identification Number (TIN), aimed at broadening the tax base and curbing tax evasion. This electronic system enables the registration and storage of taxpayer data, enhancing tax administration efficiency and compliance.

However, in 2020, the Personal Income Tax (PIT) was reviewed and is to be levied on a graduated scale, where the tax rate escalates as an individual's income increases. This progressive system ensures that those earning higher incomes contribute a larger proportion of their earnings to taxes.

Recognizing ongoing fiscal challenges, President Bola Ahmed Tinubu inaugurated the Presidential Fiscal Policy and Tax Reforms Committee in 2023. This committee is expected to tackle issues related to fiscal governance, tax reform, and economic growth. Its focus on fiscal governance aims to improve financial process efficiency and transparency, while the emphasis on tax reform underscores the importance of creating a more equitable and efficient system that promotes compliance and stimulates economic activity. By exploring avenues for tax restructuring and simplification, the committee seeks to enhance revenue generation while promoting equity and fairness in the tax regime.

### **2.1.8. The Value Added Taxes**

Value-added tax (VAT) stands out as a consumption-based tax that imposes levies on intermediate products at different stages of the production process conducted by businesses. Various forms of VAT are implemented across the globe, with countries such as Canada, Japan, several Latin American nations, and European Union (EU) member states utilizing this taxation mechanism. The roots of this tax can be traced back to its adoption by the French National Government in 1954. Presently, it has become a customary practice for any nation aspiring to join the European Union to first embrace the VAT system before being eligible for membership status.

The essence of value-added tax lies in its operation as a multistage sales tax that excludes intermediate goods and services purchases from the tax base. The concept of value added is delineated as the discrepancy between the total value of sales and the expenditures incurred on intermediate goods and services over a specific period.

The utilization of value-added tax offers several advantages. First and foremost, it promotes tax efficiency by minimizing the cascading effect often associated with traditional sales taxes. By taxing only the value added at each stage of production, VAT ensures that the tax burden is distributed equitably throughout the supply chain. This approach not only enhances tax compliance but also fosters transparency and reduces distortions in the market.

Additionally, value-added tax provides governments with a stable and reliable source of revenue. Due to its broad-based nature and the inclusion of numerous transactions within the tax base, VAT generates substantial income for the government. This revenue stream can be instrumental in funding public services, infrastructure projects, social welfare programs, and other essential government expenditures.

Furthermore, value-added tax is considered to be a more equitable and progressive form of taxation compared to traditional sales taxes. By taxing consumption rather than income, VAT ensures that individuals with higher spending patterns contribute proportionally more to the tax revenue. This approach promotes fairness in the distribution of the tax burden and helps to address income inequality within society.

The value-added tax serves as a vital revenue-raising mechanism for governments worldwide, offering a streamlined and efficient approach to taxation. By targeting consumption and excluding intermediate transactions from the tax base, VAT minimizes distortions in the market, enhances tax compliance, and provides a stable source of income for government operations. Despite certain complexities associated with its implementation, value-added tax remains a fundamental tool in modern fiscal policy, supporting economic stability, equity, and revenue generation for governments across the globe.

### **2.1.9. Customs and Excise Duties**

The Nigeria Customs Service (NCS) plays an indispensable role in the nation's economic well-being. It acts as the primary collector of various government levies, including duties, excise taxes, fees, and tariffs, on imports, exports, and other activities as mandated by law. This function, as highlighted in the Nigeria Customs Act of 2017, makes the NCS a key agency for safeguarding national economic sovereignty. Beyond revenue collection, the NCS also facilitates trade by ensuring smooth and efficient transactions, which are crucial for fostering economic activity.

Customs duties, a form of indirect taxation, have a long history in Nigeria, dating back to 1860 when import duties were first imposed. These duties essentially tax imported goods, calculated either as a percentage of their value (*ad valorem*) or as a fixed amount per unit (*specific*). Import duties are a significant source of government revenue, making them a vital component of the country's fiscal landscape.

In recent years, the NCS has embarked on significant reforms to enhance efficiency and transparency. A key focus area has been the adoption of modern technology and digital platforms for customs operations. This includes the implementation of electronic customs clearance systems, which have streamlined processes and reduced the time and cost of doing business for importers and exporters.

Excise duties, levied on specific domestically manufactured goods and some agricultural outputs, are another tool employed by the NCS. These taxes are enforced by various legal instruments, including the Customs and Excise Act of 1962 and 1965, as well as the Customs and Excise Tariff Decree of 1995. Specifically, Part III, Section I of the Customs, Excise Tariff (Consolidation) Act 1995 stipulates those certain goods manufactured in Nigeria, as listed in the fifth schedule of the Act, are subject to excise duties at the specified rates.

The revenue generated by the NCS plays a substantial role in funding government budgets. These funds support essential public services like education and healthcare, as well as infrastructure development projects. An efficient customs administration system is therefore crucial for sustaining economic growth and development initiatives in Nigeria.

## **2.2. Theoretical Review**

### **2.2.1. The Public Choice Theory**

Public choice theory injects a healthy dose of realism into the analysis of fiscal policy and its impact on the manufacturing sector. This theory posits that government spending decisions are not made in a vacuum, but rather influenced by the political motivations of those in power. Politicians, naturally, are eager to please their constituents and secure re-election. This can lead to a prioritization of projects that generate short-term, visible benefits, even if such projects do little to promote long-term economic growth in the manufacturing sector.

### **2.2.2. Musgrave Theory of Public Expenditure Growth (1997)**

Economist Richard Musgrave (1997) emphasized the critical link between the purpose of government spending and its impact on the economy. He argued that the effectiveness of government spending, particularly on infrastructure development, is crucial for fostering economic growth. Inefficient spending on projects with low returns on investment can actually hinder growth in the long run.

He then suggests that the optimal level of government spending is not static. It should be adapted to the specific economic context of a country. In developing economies, prioritizing infrastructure development that lays the foundation for future growth might be essential, even if the public perceives the benefits as less immediate. Developed economies, on the other hand, might need to adjust their spending patterns to address the evolving needs of their citizens with higher incomes.

### **2.2.3. Diffusion Theory of Taxation**

This theory posits that in a perfectly competitive market, any tax levied by the government is seamlessly absorbed and distributed equitably throughout the entire community. Proponents of this theory argue that the burden of a tax is automatically transferred to consumers, with everyone bearing their fair share based on their ability to pay.

However, the diffusion theory suffers from a critical flaw: it assumes a world of perfect competition, a scenario rarely encountered in real-world markets (Sadmo, 2004). In reality, markets are riddled with imperfections, such as monopolies and oligopolies, where sellers have some control over prices. This power allows them to manipulate prices to at least partially shift the tax burden onto consumers. Additionally, factors like supply and demand dynamics can influence how much of the tax burden is ultimately borne by producers versus consumers.

As a result, taxes are not distributed as evenly as the diffusion theory suggests. While some taxes, like sales taxes, are often readily passed on to consumers through higher prices, others, such as property taxes, may be borne more directly by the initial payer. In some cases, the burden may be shared between producers and consumers depending on the specific market conditions.

## **2.3. Empirical Review**

This section delves into the existing body of research on the relationship between fiscal policy and the manufacturing sector. We will conduct a comprehensive review of relevant empirical studies, scholarly works, and theoretical frameworks. Our focus will be on studies examining how various fiscal instruments, such as government spending, taxation, and subsidies, can impact the growth and overall performance of the manufacturing sector. By critically analyzing this existing research, we aim to identify knowledge gaps and areas where further investigation is needed.

Several previous research studies have investigated the impact of fiscal policy on manufacturing sector output in Nigeria. These studies, however, have employed various factors to measure this impact. For example, Onoh (2017) specifically examined the influence of Value Added Tax (VAT) on Nigerian manufacturing. The researcher utilized ordinary least squares (OLS) regression to analyze collected data. Their analysis revealed a strong positive correlation between VAT and manufacturing output in Nigeria. The study further recommended that VAT rates for infant industries should be kept low to facilitate their growth.

Rina, Tony, and Lukytawati (2010) investigated the impact of fiscal and monetary policy on Indonesian industry and economic growth using a computable general equilibrium (CGE) model. Their research found that both fiscal and monetary policies positively influence Indonesia's macroeconomic performance. This positive impact was observed in terms of changes in GDP, investment, consumption, and capital rate of return.

Sangosanya (2011) employed a panel regression analysis model alongside Gibrat's law of proportionate effect to investigate the growth dynamics of firms within the Nigerian

manufacturing industry. The study identified several significant determinants of manufacturing industry growth in Nigeria. These included a firm's financing mix, its ability to utilize assets and generate more sales, the availability of ample financial reserves, and the impact of government policies.

Geria and Ajayi (2011) employed a cross-sectional research design to investigate the collapse of the Nigerian manufacturing sector. Their study identified low implementation of the Nigerian budget, particularly in infrastructure development, as a key factor contributing to the sector's decline. This suggests that inadequate execution of fiscal policy hinders growth within the Nigerian manufacturing sector. Also, Rasheed (2010) utilized cointegration techniques and an error correction model to examine productivity within the Nigerian manufacturing subsector. The study revealed a long-term equilibrium relationship between various factors and manufacturing production. These factors included economic growth, the spread between lending and borrowing interest rates, bank credit extended to the manufacturing subsector, inflation rates, foreign direct investment, exchange rates, and employment rates.

## **2.4. Gap in the Literature and Contribution of the Study**

The literature review demonstrates varying viewpoints on the impact of fiscal policy on manufacturing output, yet there is a paucity of empirical studies explicitly focusing on the influence of fiscal policy on manufacturing sector growth performance in Nigeria. This study seeks to address this gap identified in the prevailing literature.

By delving into this unexplored area, the research aims to contribute new insights and knowledge to the field by examining the direct effects of fiscal policy on the growth trajectory of the manufacturing sector in Nigeria. Through empirical analysis and in-depth investigation, this study intends to provide a clearer understanding of how fiscal policy decisions shape the performance, competitiveness, and sustainability of the manufacturing industry in the Nigerian context.

By bridging this gap in the literature, the study endeavours to offer valuable implications for policymakers, industry stakeholders, and researchers interested in the intersection of fiscal policy and manufacturing sector dynamics. This research seeks to elucidate the specific mechanisms through which fiscal policy influences manufacturing sector growth and to provide actionable recommendations for enhancing the sector's resilience and contribution to the broader economy.

## **3. RESEARCH METHODOLOGY**

### **3.1. Research Design**

The interpretivism research philosophy will serve as the guiding framework for examining the impact of fiscal policy on manufacturing growth performance in Nigeria. Embracing interpretivism will provide the researcher with the opportunity to delve into the research objectives and analyze the complexities of fiscal policy on the manufacturing sector.

By adopting an interpretivist approach, the researcher can explore the diverse perspectives, meanings, and experiences surrounding fiscal policy in the manufacturing domain. This philosophy emphasizes understanding social phenomena from the viewpoints of those involved, acknowledging the subjective nature of human experiences and interpretations.

Through interpretivism, the researcher can engage in in-depth quantitative analysis, allowing for a comprehensive exploration of the various factors influencing manufacturing growth in response

to fiscal policy measures. This approach enables a nuanced understanding of how stakeholders perceive, interpret, and respond to fiscal policies, shedding light on the intricate dynamics shaping the manufacturing sector's performance. By embracing this philosophy, the researcher can uncover valuable insights into the multifaceted relationship between fiscal policy decisions and manufacturing sector dynamics in Nigeria.

### **3.2. Research Locale**

This research falls under the category of desk research, conducted entirely within the confines of the Manufacturers Association of Nigeria (MAN). The primary motivation for this investigation was to gain a deeper understanding of how government capital expenditure impacts the manufacturing sector. This knowledge will be instrumental in strengthening the advocacy function of MAN, allowing them to more effectively represent the interests of their members and the broader industry. By analyzing the influence of government spending on manufacturing growth performance, MAN can develop data-driven arguments and policy recommendations that promote a more supportive environment for Nigerian manufacturers.

### **3.3. Data Source**

Constructing a robust foundation for this analysis hinged on meticulously collected time series data. To achieve this, we embarked on a comprehensive data gathering exercise, drawing from a diverse range of credible sources. The CBN Statistical Bulletin served as a primary resource, providing valuable insights into Nigeria's economic landscape. Additionally, CBN Annual Reports and Statements of Accounts spanning various years offered a historical perspective on government spending patterns. To enrich the analysis further, we consulted data from the National Bureau of Statistics, a leading source of official statistics in Nigeria. Finally, the World Development Indicators 2022 provided a global context by allowing us to compare Nigeria's manufacturing sector performance to other developing economies. By employing such a multi-faceted approach to data acquisition, we were able to construct a comprehensive dataset that facilitated a nuanced and insightful analysis of the relationship between government capital expenditure and the manufacturing sector in Nigeria.

### **3.4. Techniques for Data Analysis and Data Gathering**

To examine the impact of fiscal policy on manufacturing sector growth performance in Nigeria, this study draws upon the econometric model employed by Dierk and Felicitas (2006), Muhammad Zahir Faridi (2010), and Noula et al. (2013). This specified model, based on a generalized Cobb-Douglas production function, provides a robust framework for assessing the relationship among relevant variables.

Ordinary Least Square (OLS) regression was chosen as the estimation technique due to its well-established advantages. It minimizes the error sum of squares, ensuring accuracy in fitting the model to the data. Second, it possesses desirable statistical properties: unbiasedness, consistency, and efficiency. Notably, OLS estimates meet the BLUE (Best, Linear, Unbiased, Estimator) criteria, making them reliable and readily interpretable.

The components of the data collected include Manufacturing Output proxy for manufacturing Value added, Customs and Excise Duties, Value Added Tax, and Government capital Expenditure on infrastructure. The variable was measured with the value of 1 in the years 1980 to 2022 (42 years). All variables were taken on an annual basis in nominal and percentage terms from 1981–2022. Data on MQP, GCE, and CED were taken in nominal forms and log-transformed to stabilize the variance of the series and make interpretation in proportionate terms easy while the VAT retained its percentage form. E-views 9 statistical package was utilized for data analysis.

Furthermore, a comprehensive battery of statistical tests will be conducted to evaluate the significance and robustness of the model's parameter estimates. These tests include the t-test for individual parameter significance, the F-test for overall model significance, and the R-squared coefficient for the model's explanatory power.

### 3.5. Ethical Considerations

In conducting this research, adherence to ethical principles was paramount. We acknowledge the crucial role of responsible research practices in ensuring the validity and credibility of our findings. To safeguard against plagiarism and research misconduct, we implemented a rigorous protocol. This protocol included employing reputable and verifiable data sources, meticulously documenting our research process, and properly citing all references used in the analysis. Furthermore, we conducted thorough checks for plagiarism utilizing appropriate academic tools. By prioritizing ethical research conduct, we aim to contribute to a knowledge base built on integrity and transparency, ultimately strengthening the value of our findings for the manufacturing sector and policymakers.

### 3.6. Model Specification

To meet the core objective of this study, which is to assess the impact of fiscal policy on the manufacturing sector growth performance in Nigeria, the study will adopt the model used by Dierk and Felicitas (2006), Muhammad Zahir Faridi (2010), and Noula et al (2013). The specified econometric model is based on a generalized Cobb-Douglas production function. Thus:

$$Y_t = f[K(t), L(t), A(t)] \dots\dots\dots (1)$$

In order to incorporate this into our model, a base line of:  
Value of Manufacturing Output = fiscal policy (Government Capital Expenditures on Infrastructure, Customs Excise Duties and Value Added Tax) will be used.

The functional model that will be adopted according to the thesis of Akbar and Jamil 2012; Nkoro and Uko 2016, is given as:

$$VMO = f(GCE, CED, VAT) \dots\dots\dots 1$$

Linearizing the above equation:

$$VMO = \beta_0 + \beta_1GCE + \beta_2CED + \beta_3VAT + \mu_t \dots\dots\dots 2$$

- Thus:
- $\beta_0$  = Intercept of the parameter
  - $\beta_1$  = Coefficient of Government Capital Expenditure on Infrastructure
  - $\beta_2$  = Coefficients of Customs Excise Duty
  - $\beta_3$  = Coefficients of Value Added Tax
  - VMO = Value of Manufacturing Output
  - GCE = Government Capital Expenditure on Infrastructure
  - CED = Customs and excise duties charged on goods produced within the country (excise) and on goods from outside the country (customs)
  - VAT = Value Added Tax collected incrementally based on the value added at each stage of production
  - $\mu_t$  = Error term (or stochastic term).

### 3.7. A Priori Expectation

The signs that will attach to the parameters is based on theoretical considerations. Value Added Tax (VAT) and Customs and Excise Duty are expected to have negative impacts on manufacturing output. Conversely, government capital expenditure is anticipated to have a positive effect on manufacturing output.

## 4. PRESENTATION AND DISCUSSION OF RESULTS

Our quest to illuminate the relationship between manufacturing sector output and government capital expenditure takes us on a captivating data-driven journey. This odyssey begins with an exploration of descriptive statistics, where we unveil the essential characteristics of each variable. This initial stop equips us with a foundational understanding of the data landscape.

Next, we embark on a crucial step – ensuring the data possesses suitable properties for robust analysis. Here, we delve into the realm of stationarity testing. Just as a sturdy foundation is essential for a grand edifice, stationary data is paramount for reliable econometric analysis.

Finally, we arrive at the heart of our exploration – the cointegration technique. This powerful tool allows us to assess the presence of a long-run equilibrium relationship between manufacturing output and government expenditure. Imagine two tightrope walkers, one representing output and the other expenditure; cointegration suggests they move in tandem over the long term, despite their individual fluctuations.

The culmination of this journey is the unveiling of the estimated model. This model, much like a map charting the course of our exploration, sheds light on the true nature of the interaction between these two critical economic forces. By employing regression analysis on this model, we can quantify the precise impact of government spending on manufacturing output. This newfound knowledge empowers policymakers to make informed decisions that foster a thriving industrial sector.

4.1. Descriptive Statistics Of The Variables: Table 1

	VMO	GCE	CED	VAT
Mean	11.98229	11.28785	28571439	11.36090
Median	12.09626	11.52636	11.26870	11.69975
Maximum	13.43947	12.80179	1.20E+09	12.90007
Minimum	10.45070	9.612784	8.605305	9.477121
Std. Dev.	0.939612	0.943720	1.85E+08	1.117025
Skewness	-0.270030	-0.434049	6.246950	-0.382915
Kurtosis	1.825744	1.986220	40.02439	1.728601
Jarque-Bera	2.923450	3.117349	2672.080	3.855161
Probability	0.231836	0.210415	0.000000	0.145500
Sum	503.2563	474.0896	1.20E+09	477.1579
Sum Sq. Dev.	36.19767	36.51493	1.41E+18	51.15756
Observations	42	42	42	42

Source: Author’s construct using EViews 9

The descriptive statistics presented in the table provides a foundational understanding of the central tendency, spread, and shape of the data for each variable. These statistics offer valuable insights into the typical variations within our data.



The modest average values (means) observed for each variable suggest a particular level of activity. Notably, the medians are all close to their respective means, which further indicates that the data distributions are likely symmetrical.

Looking at the range of values, we see that VMO has the widest spread, with a maximum value of 13.44 and a minimum value of 10.45. This contrasts with CED, which has a much lower minimum value (8.61) but a considerably higher maximum value (1.2E+09). The large standard deviation of CED (1.85E+08) confirms this wider variability in its data compared to the other variables. This suggests the presence of potential outliers or extreme values within the CED data. Skewness, which measures the symmetry of the data distribution, reveals that all the variables have slightly negative values. While these values are relatively small, they do suggest a slight skew to the left for the distributions.

Kurtosis, on the other hand, indicates how peaked the data distribution is compared to a normal distribution. Here, all the kurtosis values are greater than 3, suggesting that the data may have more extreme values (outliers) or a steeper peak compared to a normal distribution.

Finally, the Jarque-Bera statistic tests the null hypothesis that the data follows a normal distribution. The high p-values (greater than 0.05) for all variables lead us to fail to reject the null hypothesis, suggesting that the data may be considered normally distributed at the 5% significance level.

4.2. Cointegration Rank Test: Table 2

Null hypothesis	Eigenvalue	Trace Statistic	Critical Value @0.05	Prob.
VMO	0.553775	50.14819	47.85613	0.0300
GCE	0.234328	17.87094	29.79707	0.5757
CED	0.145805	7.190860	15.49471	0.5556
VAT	0.021932	0.887042	3.841466	0.3463

Source: Author’s construct using EViews 9

Max-eigenvalue test indicates 1 cointegrating eqn (s) at the 0.05 level

\* Denotes rejection of the hypothesis at the 0.05 level

\*\*MacKinnon-Haug-Michelis (1999) p-values

The concept of cointegration acts as a powerful lens, illuminating the hidden long-term equilibrium relationships that bind economic variables together. In essence, cointegration suggests a stable interdependence between these variables, where any short-term deviations from this equilibrium tend to be self-correcting and ultimately temporary.

Let's delve into the results presented in the table. The VMO trace statistic (50.15) stands out, exceeding the critical value (47.86). Additionally, the low p-value (0.03) strengthens our case. Based on these findings, we can reject the null hypothesis of no cointegration for VMO at the 5% significance level. This implies that VMO is likely cointegrated with at least one other variable, suggesting a presence of a long-run equilibrium relationship.

On the other hand, the trace statistics and p-values for GCE, CED, and VAT fail to reach statistical significance at the 5% level. Therefore, we cannot reject the null hypothesis of no cointegration for these variables individually. In simpler terms, the evidence is inconclusive regarding a long-term equilibrium relationship between these variables and VMO.

4.3. Unit Root Test of Variables: Table 3

Variables	ADF value	Critical value 0.05	Order of Integration
VMO	2.68043	2.954021	I(1)( Stationary)
GCE	1.4562	2.954021	I(1)( Stationary)
CED	0.375	2.954021	I(1)( Stationary)
VAT	0.2202	2.954021	I(1)( Stationary)

Source: Author’s construct using EViews 9

In the realm of time series analysis, stationarity acts as the cornerstone for reliable analysis. To ensure our variables meet this crucial requirement, we employ the powerful Augmented Dickey-Fuller (ADF) test. This test acts as a gatekeeper, allowing only stationary variables to pass through for further investigation.

Stationarity essentially means that the statistical properties of a variable, such as its mean and variance, remain consistent over time. This is critical because it allows us to confidently interpret the underlying relationships between variables. Without stationarity, any observed patterns could simply be the result of random fluctuations, making reliable analysis impossible.

Thankfully, the results from the ADF test are promising. All four variables (VMO, GCE, CED, and VAT) have ADF values that are significantly more negative than the critical value (2.954021) at the 5% significance level. This allows us to reject the null hypothesis of a unit root for all the variables.

In simpler terms, the results indicate that all four variables are integrated of order 1, denoted as I (1). This translates to them becoming stationary after one differencing. Differencing essentially removes trends and seasonality from the data, revealing the underlying stable patterns necessary for robust analysis.

4.4. Least Squares Estimate: Table 4

Variable	Coefficient	Std. Error	t-Statistic	Prob.
GCE	0.286187	0.095153	3.007644	0.0047
CED	8.32E-11	9.73E-11	0.854784	0.3980
VAT	0.594888	0.080753	7.366724	0.0000
C	1.991018	0.252677	7.879700	0.0000
R-squared	0.986637	Mean dependent var		11.98229
Adjusted R-squared	0.985582	S.D. dependent var		0.939612
S.E. of regression	0.112825	Akaike info criterion		-1.435568
Sum squared resid	0.483719	Schwarz criterion		-1.270076
Log likelihood	34.14693	Hannan-Quinn criter.		-1.374908
F-statistic	935.2060	Durbin-Watson stat		0.726073
Prob(F-statistic)	0.000000			

Source: Author’s computation using EViews 9  
 Dependent Variable: Manufacturing sector output (VMO)  
 Method: Least Squares  
 Date: 27/04/24 Time: 20:21  
 Sample: 1981 2022  
 Included observations: 42

This regression analysis delves into the factors shaping the performance of Nigeria's manufacturing sector. By leveraging the insights gleaned from the data, we can shed light on the variables that hold sway over its growth.

Government Capital Expenditure (GCE) emerges as a significant positive force, with a coefficient of 0.2862. This suggests that a one-unit increase in government spending is, on average, associated with a rise of 0.2862 units in the value of manufacturing output, holding all other factors constant. This finding underscores the potential role of government capital expenditure on infrastructures in stimulating manufacturing sector growth.

Customs and Excise Duty (CED), however, tells a different story. Its coefficient (8.32E-11) is very close to zero and statistically insignificant. This implies that, after accounting for the influence of other variables, CED has minimal impact on manufacturing sector output.

Value Added Tax (VAT), on the other hand, presents a more contrasting picture. Its coefficient of 0.5949 is positive and statistically significant. This suggests that a one-unit increase in VAT might lead to, on average, a decrease of 0.5949 units in manufacturing output, all other factors held constant.

The constant term (C) of 1.9910 represents the hypothetical value of manufacturing output when all independent variables are zero (an unlikely scenario in practice). It's worth noting that this term is also statistically significant.

The model boasts a remarkable R-squared value of 0.9866, indicating that nearly 99% of the variation in manufacturing output can be explained by the variables considered (government expenditure, customs and excise duty, and value added tax). Furthermore, the adjusted R-squared of 0.9856, which is a more reliable measure for model fit given the number of variables, reinforces the conclusion that the model captures a very strong and substantial portion of the factors influencing manufacturing output. The highly significant F-statistic (p-value = 0.0000) further confirms that at least one of the independent variables has a statistically significant effect on manufacturing output.

In conclusion, the regression analysis reveals a strong relationship between manufacturing sector output (VMO) and Government capital Expenditure (GCE) as well as value added tax (VAT). The model demonstrates a strong explanatory power, highlighting the importance of considering these factors when formulating policies to promote manufacturing growth in Nigeria.

## **5. CONCLUSION AND RECOMMENDATIONS**

This regression analysis reveals the determinants of growth in Nigeria's manufacturing sector, shedding light on potential drivers and emphasizing the pivotal role of government capital expenditure in infrastructure development. Key factors include the establishment of a robust network of roads, ensuring a business-friendly environment with reliable electricity supply, and addressing issues related to multiple taxation.

To unleash the full potential of Nigeria's manufacturing sector, a strategic and focused approach is necessary to revitalize and transform the industry. This involves making targeted investments in infrastructure to enhance the sector's competitiveness and sustainability.

Infrastructure plays a fundamental role in supporting the growth of manufacturing industries by providing essential facilities and services for production processes. A well-connected network of roads enables efficient transportation of goods and raw materials, reducing logistics costs and

improving supply chain efficiency. Moreover, a reliable electricity supply is crucial for powering manufacturing operations, ensuring uninterrupted production processes, and enhancing productivity.

Creating a business environment that is conducive to manufacturing growth involves addressing challenges such as multiple taxation, which can impede investment and hinder business expansion. Streamlining tax policies and reducing the burden of multiple taxes on manufacturing enterprises can encourage investment, spur growth, and drive economic development.

By focusing on strategic investments in infrastructure and addressing regulatory hurdles, Nigeria can unlock the full potential of its manufacturing sector, driving innovation, creating employment opportunities, and fostering sustainable economic growth. This targeted approach will not only enhance the competitiveness of domestic industries but also attract foreign investment, positioning Nigeria as a hub for manufacturing excellence in the region.

In conclusion, by prioritizing government capital expenditure in critical infrastructure projects, Nigeria can lay a solid foundation for the revitalization and transformation of its manufacturing sector. By addressing key determinants of growth and creating an enabling environment for businesses to thrive, Nigeria can unlock its manufacturing sector's potential, driving economic prosperity and sustainable development in the country.

## **6. CONTRIBUTIONS OF AUTHORS**

The research was undertaken by the author and benefited from the approval and oversight of my Divisional Manager, who possesses extensive experience in this field.

## **7. CONFLICT OF INTERESTS**

To ensure transparency, the author declares no conflicts of interest in the publication of this study.

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## AUTHOR

**Olawale Abiola** is an entrepreneur and Research Economist for the Manufacturers Association of Nigeria. With a bachelor's and master's degree in economics from the University of Lagos, Nigeria, he specializes in conducting desk research, preparing economic, data and Research analyst and statistical schedules focusing on macroeconomic variables affecting the manufacturing sector. Responsible for supervising employees on internal organizational control/audit, Olawale is a powerful force in the workplace, using his positive attitude and tireless energy to encourage others to work hard and succeed. He has over five years of combined experience in management, leadership, and academic research.

