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Industrial Sector Growth And Public Infrastructure Capital In Nigeria

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Abstract

Public infrastructure is essential for long-run industrial and economic growth. Unfortunately, public infrastructure in most developing countries is typically in poor condition. Poor infrastructure reduces the profitability of modern manufacturing industrial sector and may therefore inhibit industrialization. Road systems are neglected, public transport and telecommunication systems are unreliable, power supply frequently breaks down, hence the need to examine the link between public infrastructure capital and industrial sector growth and through that assess the impact of public infrastructure capital on industrial sector growth in Nigeria. The Ordinary Least Squares (OLS) and the Generalized Method of Moments (GMM) methods were used for the analysis. The empirical results indicate that on one hand, public capital infrastructure captured by infrastructure development index, human capital development measured by human development index and inflation rate are negatively related to industrial sector growth in both the OLS and GMM frameworks. Broad money supply and exchange rate on the other hand, were found to have a positive relationship with industrial sector growth in both the OLS and GMM frameworks. It is thus concluded that for Nigeria, infrastructure exerts a negative impact on industrial sector growth. This outcome suggests that the level of access to infrastructure or its quality did not affect industrial growth. It is therefore recommended that policy direction in Nigeria should focus on reversing pervasive infrastructure deficit, in ways that enable economic growth and development.

Keywords: Manufacturing Growth, Public infrastructure, Nigeria.