LENDING RATE AND MANUFACTURING SECTOR GROWTH IN NIGERIA

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ABSTRACT
This study examined the impact of lending rate on the growth of manufacturing sector in Nigeria from 1986 to 2020. The Ordinary Least Squares (OLS) estimation technique was employed for achieving the objectives of the study. The OLS analysis showed that there exists a positive and insignificant impact of lending rate on the growth of the manufacturing sector in Nigeria, indicating that lending rate does not impede the activities and the performances of the Nigerian manufacturing sector. It also revealed that there exists a negative and insignificant impact of inflation rate on the growth of the manufacturing sector in Nigeria. Based on the findings, the study recommended that Central Bank of Nigeria through its monetary policy should ensure that interest rate deregulation is frequently monitored and primarily tailored towards ensuring that the prevailing market lending rate provides opportunity for improved performance of the manufacturing sector, government should provide the essential and effective infrastructure facilities especially electricity supply, as the high cost of these infrastructural expenditure incurred by banks is passed on to borrowers and manufacturers through interest rate, among others were proffered.

Keywords: Lending Rate, Manufacturing, Neoclassical, Monetary Policy, Nigeria.

JEL Classification: E43, E52, L60, O14.

1. INTRODUCTION
It is believed that the growth of the economy is mostly driven by the increase in productivity of the manufacturing sector (Aiyedogbon and Anyanwu, 2015; Erinma, 2016). Therefore, to maintain or increase the level of manufacturing activities in the economy, the monetary policy in operation is expected to be favourable (i.e. expansionary), where interest rate will be reduced and the restriction in growth of credit will be relaxed, thereby making it easy for manufacturers/businessmen to finance their production activities, and as well as encouraging investment. In agreement to this Okwori, Ochinyabo, and Sule (2014) posited that investment in the manufacturing sector depends upon the interest rate involved in getting fund from the financial institutions.

In addition, there is no doubt that the manufacturing sector plays a catalytic role in a modern economy like Nigeria, with its dynamic benefits that are crucial for economic transformation. As a matter of fact, Adofu, Taiga, and Tijani (2015) opined that the manufacturing sector is seen as the combination of suitable technology, management techniques and other resources to move the Nigerian economy from the traditional low level of production to a more efficient and effective system of mass production of goods and services, as well as to promote the growth of investment at a faster rate than any other sectors of the economy. And to promote the growth of investment in this sector, access to funds and credits in the financial institutions is required.

However, given this notion, access to credit still stands as one of the plausible constraints to the development of the Nigerian manufacturing sector, which comes as a result of the high rate of interest charged on loans and advances granted by the financial institutions. Okwori et al (2014) suggested that the high interest rate in Nigeria might be as a result of high inflation that has remained at double digits and the instability of the exchange rate.

For instance, the inflation rate in Nigeria rose from 11.8 percent in 2010 to 11.98 percent in 2019. In the same vein, exchange rate rose from 150.4 percent in 2010 to 360.25 percent in 2019; this also resulted the lending rate to rise from 22 percent in 2011 to 30.72 percent in 2019 (CBN, 2015; CBN, 2019). Therefore, it means that given the interest rate of 22 percent in 2011, a producer of tomato paste for instance who requested for a five-year loan of ₦1 million, is expected to pay back with the total sum of ₦1.22 million, while in 2019, with the interest rate of 30 percent, the manufacturer is expected to pay back with the total sum of ₦1.3 million; which restrict access to funds as well as impeding the level of output. This shows that borrowings and investments over the years may not have been encouraging due to the high interest rates, which may have led to the decay of the manufacturing sector output in Nigeria. In addition, the rigid lending conditions given by banks for the request of loans may also have impeded the access to funds and credit to Nigerian manufacturers, which also go a long way in altering the growth of productivity in the Nigerian manufacturing sector.

Although, before now some policies have been put in place by the government with the aim of controlling interest rates and facilitating manufacturing activities in Nigeria. For instance, the government through the Central Bank of Nigeria (CBN) deregulated interest rate after the Structural Adjustment Programme (SAP) era of 1986. The policy was established with the aim of allowing the market forces of demand and supply to determine the rate of interest in the economy. This objective was to promote flow of funds for investment especially in the manufacturing sector (CBN, 2005; Ajudua and Okonkwo, 2015). As a result, it was observed that the lending rate rose from 19 percent in 1987 to 36 percent in 1993. In the same vein, the average capacity utilization rate which is used to determine the level of productivity and performance of the manufacturing sector, also revealed a declining rate from 40 percent in 1987 to 37 percent in 1993 (CBN, 2019).

However, from 1994 to 1995, the fixed interest rate policy by the CBN was introduced to check and control the persistent increase in interest rate. This was introduced because, there were wide variations and unnecessarily high interest rate during the deregulation era of interest rate. Therefore, with the fixed interest rate policy, lending rate was fixed at 21 percent allowing for more flexibility, which lasted till 1996 (Ajudua and Okonkwo, 2015). As a result, CBN (2019) revealed that the lending rate dropped to 21 percent in 1994 from 36 percent in 1993; and settled at 20 percent till 1996. However, the average capacity utilization rate dropped to 30 percent in 1994 from 37 percent in 1993, and kept fluctuating around 32 percent throughout 1995 and 1996 (CBN, 2019). This revealed that despite the fixed interest rate policy managed by the CBN, the manufacturing sector seemed not to enjoy the policy, as there seems not to be a good relationship between the fixed maximum interest rate and the level of productivity of the manufacturing sector in Nigeria.

In reaction to the negative relationship between the fixed maximum interest rate adopted in 1994 and the performance of the manufacturing sector, the CBN bounced back to the deregulation of interest rates in 1996. Erinma (2016) posited that the bouncing back to the deregulation by the CBN was to manage interest rate based on the premise of the market, that if freely allowed to determine the interest rate, it will promote increased level of investment in priority sectors such as the manufacturing and agricultural sector. As a result, the maximum interest rate has still been fluctuating between 20 percent and 30 percent till 2019, which is still high (CBN, 2019). With all these policies invented by the government to control interest rate, it is obvious that the trend seems to be on the increasing rate, and manufacturers and industrialists seems not to be realizing the full potential output of production. This has been a striking issue on how effective the interest rate is in stimulating the performance of the Nigerian manufacturing sector, as well as its growth in output. This issue has remained vague as studies

like Ogar, Eja, and Gbenga (2018), Onakoya (2018), Ozigbu (2018), and Akpan, Yilkudi, and Opiah (2016) have not been able to establish an effective or favourable impact of lending rate on manufacturing output growth in Nigeria.

Therefore, in the light of the above, it becomes imperative to examine the impact of lending rate on the growth of the manufacturing sector in Nigeria. Specifically, the study seeks to examine the impact of lending rate on the performance of manufacturing sector, and to determine the existence of long-run relationship between lending rate and manufacturing sector growth in Nigeria. In achieving its objectives, the study is restricted to the period between 1986 and 2020. The scope was chosen based on the fact that government through the Central Bank of Nigeria (CBN) deregulated interest rate after the Structural Adjustment Programme (SAP) era of 1986. The rest of the paper dwells on the empirical review, methodology, theoretical framework, discussion of empirical results and policy implications, conclusion and recommendations.

2. LITERATURE REVIEW

2.1 Conceptual Review

Generally, and most commonly, lending rate is the amount of charge to the debtors within the time of using the credit provided. Harswari and Hamza (2017) and Sayedi (2013) posited that lending rate is a price that is payable for the money that is borrowed in a time period and stated in percentage from overall outstanding balance left where is changeable or fixed. Therefore, for this study, lending rate is the rate which deposit money banks (DMBs) charge their customers on loans extended to them.

In Nigeria, there are two most prevalent lending rates which include the prime and maximum lending rates. Prime lending rate is simply defined as the interest rate which DMBs charge their most credit-worthy customers, which are usually large organizations. It could also form the basis for other lending rates on mortgages, personal loans, and loans to small businesses (CBN, 2016). While, the maximum lending rate is the rate charged by DMBs for lending to customers with low credit rating. For the purpose of this study, the prime lending rate is utilized for examining its impact on manufacturing sector growth in Nigeria. This is so because, the manufacturing sector consists of small and large business owners who seek funds for boosting productivity and they are known as the most credit-worthy customers to DMBs, as they stand as the most vital engine that promote economic growth in the economy.

2.2 Theoretical Review

The theories of lending rate are reviewed from the Classical theory, Neo-Classical theorists, and Keynesian or Liquidity Preference theory. The Classical theory as developed byDavid Ricardo, Marshall, A.C. Pigou, Cassels, Walras, Taussing and Knight from the late 18^{th} to early 19^{th} century, regarded interest rate as an equilibrating factor between the demand for and the supply of investible funds. Investment represents the demand for investible funds, and interest rate is the price at which the two are equated. Meaning that, interest rate establishes equality between aggregate savings and aggregate investment.

The Neo-Classical theory or Loanable Funds Theory of Interest as developed by Neoclassical economists including Carl Menger, William Stanley Jevons, and Leon Walras in the late 19^{th} century, opines that the supply of loanable funds is a composite supply, composed of real savings (voluntary savings) and credit money. Similarly, the demand for loanable funds is composed of the demand for investment funds and the demand for speculative cash balances or hoarding. Therefore, for the neoclassical theorists, interest rate is the price of credit which depends on the demand and supply of loanable funds. While, the Keynesian or Liquidity Preference theory as developed by John Maynard Keynes in 1936, opines thatthe rate of interest at any given time is determined by the liquidity preference, that is, the demand for money relative to the supply for money. The total demand for money

is composed of precautionary demand for money, transaction demand for money (M1) and speculative demand for money (M2). Therefore, the equilibrium rate of interest is determined at the level where total demand for money equates total supply of money.

2.3 Empirical Review

Omonzejie and Madueme (2020) investigated the effect of financial deepening on manufacturing sector output in Nigeria. The specific objectives of the study are to examine the effect of the ratio of private sector credit to gross domestic product and the total number of banks on the manufacturing sector output in Nigeria. Quarterly time series data were utilized for the period 1985q1 to 2018q4 for the analysis. The Autoregressive Distributed Lag (ARDL) technique was employed for the estimation. The results obtained showed a positive but insignificant relationship between the manufacturing sector output and the total number of banks, the ratio of the broad money supply to GDP and the ratio of market capitalization to GDP both in the long run and the short run. However, a negative relationship exists between the ratio of private sector credit to GDP, the prime interest rate and ratio of savings to GDP and the manufacturing sector output both in the long run and short run.

On the subject matter, Idisi, Ugwu, and Safugha (2019) examined the effect of rising interest rates on the performances of the Nigerian manufacturing sector. Data for the study spans eighteen years (18) years covering 2000 to 2017. The ordinary least square was used to analyze the models. Therefore, findings from the study show that the rising interest rate in Nigeria affects the performances of the Nigerian manufacturing sector.

In the same vein, Ogar, Eja, and Gbenga (2018) investigated the relationship between interest rate and the manufacturing sector performance in Nigeria from the period 1981-2016.The study employed time series secondary data which were sourced from the central bank of Nigeria (CBN) statistical bulletin. The study applied several estimation techniques such as unit root to test for the stationarity, the Johansen co-integration test to verify long run association among the series and the vector error correction model as a verification of the short run adjustment. The results established the existence of a long run relationship among the variables, the results equally confirmed a negative but significant relationship between lending rate and manufacturing output in Nigeria. A positive but insignificant relationship between deposit rate and the manufacturing sector output was observed. Short run association between the variables was equally recorded.

Onakoya (2018) examined the impact of the changes in the macroeconomic factors on the output of the manufacturing sector in Nigeria from 1981 to 2015. Preliminary evaluation of the data was conducted using both descriptive statistics and stationarity evaluation. The test indicated that not all the variables are normal. The occurrence of order integration at first level difference necessitated the deployment of the Johansen co-integration test. The findings revealed no short run association among manufacturing output and each of GDP, exchange rate, broad money supply and unemployment rate. Negative relationship existed amongst inflation rate, interest rate, exchange rate, broad money supply on one hand, and manufacturing output. The inflation rate and interest rate, were statistically insignificant. However, significant and positive relationship existed between GDP of the previous year and unemployment on the one hand and manufacturing output on the other, at 5 percent level. The results showed that manufacturing was a veritable engine of economic growth.

However, Utile, Okwori, and Ikpambese (2018) investigated the effect of interest rate on the economic growth of the Nigerian economy. The aim of the study was to determine the effect of inflation rate, exchange rate and deposit interest rates on the gross domestic product of the country. The data for the study was obtained from the statistical bulletin of the Central Bank of Nigeria from 1980-2016. The research design adopted for the study was the ex-post facto research design. Multiple regression technique was used for the analysis of data. The student t-test was used to test the hypotheses formulated. It was found that inflation rate and exchange rate have negative and insignificant effect on gross domestic product (GDP). Also it was found that deposit interest rate (DIR) has positive and

significant relationship with GDP. The study generally concludes that interest rate has a negative and insignificant relationship with GDP.

Ozigbu (2018) analyzed the long-term implication of interest rate deregulation on the productivity of the industrial sector in Nigeria between 1987 and 2016. Specifically, this paper focused attention on the impacts of prime lending rate, deposit rate, monetary policy rate and cash reserve ratio on industrial output. The datasets on each of the variables were culled from the Central Bank of Nigeria Statistical Bulletin. The Autoregressive Distributive Lag (ARDL) model was adopted for the estimation of the long run behavior of the exogenous variables. The Augmented Dickey-Fuller (ADF) stationarity test approach and ARDL based bounds test approach to co-integration were applied to test the null hypotheses of a unit root and no long run relationship respectively. It was found from the ADF tests results that the variables are fractionally integrated. The bounds test result also indicated that the variables have long run relationship, hence necessitating the rejection of the null hypothesis of no co-integration. The long run regression result showed that at 10 percent level, prime lending is positively related to industrial output. It was equally uncovered from the result that monetary policy rate negatively impacted on industrial output at 5 percent level. Similarly, the deposit rate contracts the productivity of the industrial sector in the long run.

Akpan, Yilkudi, and Opiah (2016) investigated the impact of lending rate on output of the manufacturing subsector using the Vector Error Correction Model (VECM) and annual data from 1981-2014. The empirical results indicated that high lending rate had negative impact on manufacturing output in the long-run. This suggests that increase in lending rate undermines manufacturing output, thus retarding growth in the real sector. Specifically, the estimates revealed that a 1.0 per cent increase in lending rate reduces manufacturing output by 0.03 per cent.

Ajudua and Okonkwo (2015) focused on the impact of interest rate determinants in a deregulated Nigerian economy. Based on theoretical underpinnings three explanatory variables were included in this study which are; inflation rate, money supply and monetary policy rate in order to evaluate their impact on the trend of interest rate. Data for the study were obtained from the Central Bank of Nigeria statistical bulletin and were analyzed and tested using the error correction mechanism (ECM). The result of the findings revealed that there existed a significant relationship between interest rate and the explanatory variables selected in the study.

However, some of the studies reviewed focused only on the impact of interest rate on economic growth in Nigeria without making reference to its impact on the manufacturing sector output (Ajudua and Okonkwo, 2015; Utile, Okwori, and Ikpambese, 2018). In addition, only Akpan, Yilkudi, and Opiah (2016), Ozigbu (2018), Ogar, Eja and Gbenga (2018), and Idisi, Ugwu and Safugha (2019) among the reviewed studies investigated into the impact of interest rate on manufacturing output in Nigeria. However, these studies focused on a different period as none of them extended their scope to the year 2020, which is a major focus of this study. More so, this study shall employ the average capacity utilization rate to capture the level of productivity of the manufacturing sector which the reviewed studies did not capture.

3 METHODOLOGY

3.1 Theoretical Framework

This study is anchored on the Neoclassical theory or Loanable Fund theory of Interest. The neo-classical economists considered not only saving as speculated by the Classical theorists, but also bank credit, dishoarding and disinvestment. Since loanable funds theory of interest considered both savings of classical theory of interest and bank loans, dishoarding, and disinvestment; it is often referred as real as well as monetary theory of interest. Thus, it is both real and monetary theory of interest.

In regard to this study, the demand for fund by producers or manufacturers is for the provision of public goods which the private sector cannot provide effectively and efficiently. In other words, investor's demand for loanable funds is for purchase of inputs and other capital goods required for boosting the

level of production. Therefore, borrowings by investors or manufacturers for productive purposes are interest elastic and depend largely on the expected rate of profit relative to the level of interest rate.

3.2 Types and Sources of Data

The data utilized for the study consists of annual observations on manufacturing sector output proxied for manufacturing sector performance, lending rate, and inflation rate whichspans for a period covering 1986 to 2020. The data was obtained from various issues of Central Bank of Nigeria statistical bulletin 2020.

The study adapted the Ordinary Least Square (OLS) technique to examine the impact of lending interest rate on the performance of the manufacturing sector in Nigeria. The study modifies the empirical work of Musa and Abdullahi (2017) where the growth of the manufacturing sector is a function of electricity to manufacturing sector, credit to core private sector, consumer price index, lending interest rate, and monetary policy rate. However, the new model for this study incorporates manufacturing sector output to capture the level of productivity of the manufacturing sector which is a function of lending rate and inflation rate, while other variables were exempted. Hence, our multiple regression is structured in its implicit form as thus:

MASO = $f(LEND, INFR)$ ……[5]

Where; *MASO* is *Manufacturing Sector Output,LEND is Lending Rate, and INFR is Inflation Rate.*

Econometrically the model is specified as:

MASO = $a_0 + a_1LEND + a_2INFR + u$……..[6]

a_0, a_1, and a_2 are coefficients while u is the residual.

Apriori: $a_1 < 0; a_2 > 0$.

This study utilized the use of Ordinary Least Square (OLS) methodology in its analysis. This was facilitated through the use of E-view Econometric software version 10.0. To ensure that the outcome of the regression is not spurious, the data set was subjected to a stationary test using the Augmented Dickey Fuller test. The Johansen Co-integration test was used to ascertain the long run relationship between the variables in the model of the study.

4 RESULTS AND DISCUSSION OF FINDINGS

4.1 Unit Root Test

The Augmented Dickey-Fuller unit root test result is presented on Table 1 for stationarity and non-stationarity of the time series.

Table 1: Unit Root Test Result

Variable	Order of Stationarity	ADF Calculated	ADF Critical Value	Order of Integration	Decision
MASO	At level	-2.987684	-3.513222	1(0)	Not stationary
	1st difference	-5.281294	-3.464842	1(1)	Stationary
LEND	At level	-2.120209	-3.562882	1(0)	Not stationary
	1st difference	-4.664763	-3.580623	1(1)	Stationary
INFR	At level	-3.196355	-3.574244	1(0)	Not stationary
	1st difference	-6.234748	-3.612199	1(1)	Stationary

Computed at 5% ADF critical value

Source: Researcher's Computation (2021) using Eviews 10.0.

The Augmented Dickey-Fuller unit root result on Table 1 shows that all the time series data were not stationary at levels, but they however became stationary at 1st difference. Specifically, at 5% critical level, *MASO*, *LEND*, and *INFR* were stationary at 1st difference.

4.2 Co-Integration Test

The Johansen Co-integration test result presented on Table 2 was used to ascertain the existence of long run relationship in the model as mentioned in the second objective of the study.

Table 2: Co-Integration Test Result

Hypothesized No. of CE(s)	Trace Statistic	5 Percent Critical Value	Hypothesized No. of CE(s)	Max-Eigen Statistic	5 Percent Critical Value
None *	46.62831	42.95555	None *	26.34432	25.74353
At most 1	20.54277	25.98312	At most 1	14.14374	19.59424
At most 2	6.393245	13.42467	At most 2	7.384342	12.52441

** denotes rejection of the hypothesis at the 5% level*

Source: Researcher's Computation (2021) using Eviews 10.0.

The Johansen co-integration test result on Table 2 shows thatthe tracetest statistics indicates one co-integrating equation(s), while the Max-Eigen statistics indicates one co-integrating equation(s) at 5% level. On the basis of Trace test and Max-Eigen value test, the conclusion that there exists a long run relationship among the variables is made. Thus, there exists a long run relationship between lending rate and manufacturing sector growth in Nigeria.

4.3 Multiple Regression Result

The results of the estimated multiple regression model are presented on Table 3.

Table 3: OLS Result for the Impact of Lending Interest Rate on Performance of the Manufacturing Sector in Nigeria

Dependent Variable	Independent Variables	Coefficient	Standard Error (S.E)	T-Statistics (Prob.)
LnMASO	*C*	43.90719	7.622422	6.570446 (0.0000)
	LEND	0.427235	0.323432	1.070196 (0.2683)
	INFR	-0.259965	0.087434	-2.950128 (0.0076)
R^2	0.925166			
F-Statistic	166.7114			
Prob(F-statistic)	0.000000			
DW	1.652253			

Source: Researcher's Computation (2021) using Eviews 10.0.

From Table 3, since the ½(a_1) is greater than its S.E, that is ½ (0.329355) = 0.2136175<0.323432, the null hypothesis that a_1 is statistically insignificant is accepted and the conclusion that there is no significant impact of lending rate on growth of the manufacturing sector in Nigeria is made. On the other hand, since the ½(a_2) is less than its S.E, that is ½ (-0.259965) = -0.1299825<0.087434, the null hypothesis that a_2 is not statistically significant is accepted and the conclusion that there is no significant impact of inflation rate on growth of the manufacturing sector in Nigeria is made.

Therefore, result from the estimated multiple regression on Table 3 indicates that there exists a positive and insignificant impact of lending rate (LEND) on the growth of the manufacturing sector (MASO) in Nigeria. The interpretation of its coefficient states that a percentage increase in LEND holding other variables constant increases MASO by 0.42 per cent. This result does not conform to *a priori* expectation. On the other hand, result from Table 3 indicates that there exists a negative and insignificant impact of inflation rate (INFR) on the growth of the manufacturing sector (MASO) in Nigeria. Specifically, a percentage increase in INFR holding other variables constant reduces MASO by 0.25 per cent. This result conforms to *a priori* expectation.

In addition, the overall goodness of fit of the model as shown by the R-Squared coefficient of determination is 0.925166; it shows that about 92 percent of the variation experienced in manufacturing sector output (MASO) in Nigeria for the period being investigated are explained by the independent variables included in the model.

Lastly, the Durbin-Watson (DW) test is employed to test for autocorrelation in the model. As a decision rule a Durbin-Watson value of ≥ 2 signifies the absence of autocorrelation. Hence, from Table 3, the value of Durbin-Watson statistic is 1.652253 (which approximately is 2) for the model. This implies that there is absence of serial autocorrelation in the model.

4.4 Policy Implications

The work sought out to assess the impact of lending rate on the growth of manufacturing sector in Nigeria from 1986 to 2020. The study discovered that an increase in lending rate (LEND) leads to an increase in growth of manufacturing sector (MASO) in Nigeria, which conforms to a priori expectation. This conforms with the study of Idisi, Ugwu, and Safugha (2019) who examined the effect of rising interest rates on the performances of the Nigerian manufacturing sector and discovered that the rising interest rate in Nigeria affects the performances of the Nigerian manufacturing sector. But, with an insignificant nature of its impact as indicated by the findings of this study, it implies that lending rate has a positive relationship with the growth of the manufacturing sector, and does not impede the activities and the performances of the Nigerian manufacturing sector. Although, there is a positive relationship and impact as indicated by the findings but, the insignificant nature of its impact could be as a result of the fact that access to credit still stands as one of the plausible constraints to the development of the Nigerian manufacturing sector, which comes as a result of the high rate of interest charged on loans and advances granted by the financial institutions.

In addition, the study also discovered that an increase in inflation rate leads to a reduction in growth of manufacturing sector (MASO) in Nigeria, which conforms to a priori expectation. This implies that inflation rate has a negative relationship with growth of the manufacturing sector in Nigeria. This suggests that the inflation rate of the Nigerian economy is not properly managed. In the same vein, this also shows that if interest rates are not properly managed in the economy, it can also lead to high cost of production, which in turn lead to high cost of goods and services.

5. CONCLUSION AND RECOMMENDATIONS

5.1 CONCLUSION

Having examined the impact of lending rate on the growth and performance of the manufacturing sector in Nigeria, it is evident that to maintain or increase the level of manufacturing activities in the economy, the monetary policy in operation is expected to be favourable, where interest rate will be reduced and the restriction in growth of credit will be relaxed, thereby making it easy for manufacturers/businessmen to finance their production activities, and as well as encouraging investment and boosting the growth of the manufacturing sector. In cognizance with this fact, the study revealed that despite the positive relationship between lending rate and the growth of the manufacturing sector, the insignificant nature of its impact still conform to the fact that access to credit still stands as one of the plausible constraints to the development of the Nigerian manufacturing sector, which comes

as a result of the high rate of interest charged on loans and advances granted by the financial institutions. The findings also revealed that inflation rate of the Nigerian economy still needs urgent attention as it has not been properly managed.

5.2 RECOMMENDATIONS

Based on the findings and policy implications of this study, the following recommendations were made:

The Central Bank of Nigeria through its monetary policy should ensure that interest rate deregulation is frequently monitored and primarily tailored towards ensuring that the prevailing market lending interest rate provides opportunity for improved performance of the manufacturing sector. This will also attract savings mobilization and encourage domestic investment to help not just the manufacturing sector, but the entire economy at large.

Another key option in improving the performance of the Nigerian manufacturing sector is that government should provide the essential and effective infrastructure facilities especially electricity supply, as the high cost of these infrastructural expenditure incurred by banks is passed on to borrowers and manufacturers through interest rate. Hence, borrowing becomes discouraging when interest rate is high.

In line with the findings of inflation rate and mitigating its negative impact, government and relevant policy makers especially, Central Bank of Nigeria (CBN) should focus on maintaining inflation at a low rate or single digit and ensure that the rate is stable.

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