



Capital Investment and Manufacturing Productivity: The Case of Nigeria

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Abstract

This paper examined the extent to which the manufacturing sector has been productive due to the level of capital investment in the sector. In effort to achieve the goal of this study, data ranging from the first quarter of the year 2011 to the fourth quarter of the year 2016 was used. Literature shows that the manufacturing sector is faced with so many challenges that affects its level of performance. The position of the literature was confirmed by the efficiency analysis conducted by the study. The partial efficiency analysis conducted in this paper used the input-output mathematical programming approach. The input here is capital investment (foreign capital inflow and bank credit to manufacturing sector) and output is the contribution of the manufacturing sector to gross domestic product. It was found that the sector was generally unproductive as a good efficiency score was only recorded during few quarters. Moreover, it was also found that the unproductive trend in the manufacturing sector tend to have continue to deteriorate to date as shown by the efficiency rank score presented by the order-m efficiency analysis result. This paper therefore recommends appropriate policy capable of providing the manufacturing sector with the enabling environment to thrive better and performance at optimum.

Keywords: Capital investments, Manufacturing Sector, Efficiency, Productivity, Input-Output