



## **Industrialization in Northern Nigeria: Historical Trajectories, Decline, and Contemporary Challenges**

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### **Abstract**

The historical development, decline, and current issues of industrialization in Northern Nigeria are examined in this essay, with special focus on the functions of Kaduna and Kano as regional industrial centers. It places the emergence of industry in the context of colonial investments in infrastructure, state-led industrialization following independence, and the oil-driven growth of the 1970s, when the North was established as a hub for national manufacture thanks to textiles and agro-processing. However, the combined effects of trade liberalization, energy and infrastructural deficits, structural adjustment programs, and growing insecurity caused a significant fall in industrial capacity starting in the mid-1980s. This wider economic decline was exemplified by the demise of well-known textile companies including Kaduna Textiles Limited, Arewa Textiles, and United Nigerian Textiles Ltd., which had detrimental effects on social stability, employment, and regional growth. Current issues are still severe: unstable electricity, unstable foreign exchange, instability, logistics bottlenecks, and intense rivalry from around the world all still limit competitiveness. Decentralized and renewable power solutions, concessional modernization financing, industrial corridor security compacts, customs and tariff changes, and inclusion into regional value chains under the African Continental Free Trade Area are some of the avenues for resuscitation that the article identifies. The study makes the case that practical changes that strike a balance between private sector resilience and state involvement are essential to Northern Nigeria's economic future. It bases this claim on historical lessons and new adaptive practices, such as the construction of industrial parks and the localization of inputs. In the end, industrial revitalization in the North is essential for furthering Nigeria's larger structural change objective as well as for minimizing regional inequities.

**Keywords:** Northern Nigeria, industrialization, structural adjustment, insecurity, economic transformation.

## **Background on industrialization in Northern Nigeria**

Northern Nigeria's industrialization resulted from a confluence of post-independence regional initiatives, import-substitution policies that prioritized consumer products, and colonial infrastructural construction. Kano and Kaduna developed into important industrial centers. For example, Arewa Textiles and United Nigerian Textiles Ltd. (UNTL) quickly followed Kaduna Textile Limited (KTL), which was founded in 1957 in collaboration with the British company David Whitehead & Sons. During the oil boom of the 1970s, industrial operations grew before eventually declining as a result of policy errors and infrastructure deterioration (Renne, 2002; Daily Trust, 2024). Similar to this, Kano saw the construction of the Bompai Industrial Estate in the 1950s, which was Nigeria's first planned industrial estate of its kind. This led to a boom in manufacturing across a variety of industries, including textiles, leather, and plastics, and by the mid-1980s, there were more than 500 industrial firms (Enovate Lab, 2021; Parrot Nigeria, 2023).

The industrial sector in Northern Nigeria encountered a confluence of structural and systemic issues beginning in the late 1980s, which collectively undermined the region's industrial base and disrupted decades of earlier growth. One of the most significant turning points was the adoption of structural adjustment policies (SAPs), implemented under pressure from the International Monetary Fund (IMF) and the World Bank. These reforms emphasized tariff liberalization, subsidy removal, and the deregulation of foreign exchange markets. While intended to stabilize the national economy, these measures had the unintended effect of exposing domestic industries—particularly textiles and manufacturing in Northern Nigeria—to intense competition from imported goods, especially cheaper textiles from East Asia. Local firms, already burdened by inefficiencies and limited modernization, struggled to survive in this new liberalized environment, leading to widespread factory closures and job losses (Renne, 2002).

Alongside trade liberalization, infrastructural weaknesses amplified industrial decline. Chronic power shortages meant that firms were compelled to rely heavily on expensive private generators to maintain production, significantly raising operational costs. Electricity outages often lasted for days or weeks, disrupting industrial output and eroding profitability. At the same time, the inability to access sufficient foreign exchange created a bottleneck in importing spare parts, raw materials, and modern machinery. The result was a steady stagnation in technological innovation, leaving factories increasingly reliant on outdated equipment from the 1960s and 1970s, which further constrained their competitiveness. By the 2000s, insecurity emerged as another formidable challenge. The rise of insurgency in the North-East, coupled with rural banditry and violent conflicts in the North-West, directly disrupted supply chains, discouraged new investment, and raised transportation costs. Raw materials such as cotton, once sourced easily from surrounding farmlands, became less reliable due to displacement of farmers, shrinking cultivation, and rising insecurity along key trade corridors. Logistic companies faced higher risks, and the movement of goods to national and international markets was delayed or even halted. These security-related disruptions compounded the already fragile industrial base, leading to further factory closures and capital flight (World Bank, 2025).

Despite this bleak landscape, a handful of firms displayed resilience through adaptive strategies such as targeting niche markets, regional exports, or adopting partial mechanization. However, these were exceptions rather than the rule. The closure of iconic mills such as Kaduna Textiles Limited (KTL), Arewa Textiles, and United Nigerian Textiles Limited (UNTL) by the early 2000s

symbolized the broader industrial downturn. These mills had once been the backbone of Northern Nigeria's industrial economy, employing tens of thousands and supporting entire communities through backward linkages to cotton farmers and forward linkages to trade networks. Their collapse marked not only an economic setback but also a profound social transformation, as large segments of the labor force lost livelihoods and urban centers such as Kaduna witnessed growing unemployment and poverty. By the early twenty-first century, what had once been a thriving textile hub in Northern Nigeria had become a shadow of its former self, demonstrating the combined weight of policy missteps, infrastructural neglect, and persistent insecurity (Reuters, 2024).

Beginning in the late 1980s, when international financial institutions started promoting the execution of structural adjustment programs (SAPs), the industrial sector in Northern Nigeria started to encounter a combination of systemic and structural issues. When protective trade barriers were lifted and tariffs were liberalized, domestic manufacturers—many of whom were already dealing with inefficiencies—were suddenly hit by cheaper imports, especially textiles from Asia. As a result, local businesses became less competitive, their market shares shrank, and many people were laid off. At the same time, industries were forced to rely more heavily on diesel generators, which further reduced profit margins, making production costs worse due to the ongoing issue of an unstable electrical supply. Outdated machinery and restricted access to foreign cash also hampered the modernization of industrial facilities by limiting the importation of new machinery and spare components. Investment confidence was further undermined by these structural flaws, which occurred at the same time as macroeconomic uncertainty, inflationary pressures, and volatile exchange rates. Due to insurgency, banditry, and rural instability, insecurity in the North-East and North-West by the 2000s added a new level of risk, upsetting supply chains, deterring investors, and increasing logistical expenses. The overall picture was one of loss, even though some businesses showed isolated resilience through localized market niches and adaptable tactics. This industrial downturn, which not only undermined Northern Nigeria's once-thriving textile hub but also increased unemployment and social vulnerability in the region, was symbolized by the closure of several iconic textile mills, including Kaduna Textiles Limited (KTL), Arewa Textiles, and United Nigerian Textiles Limited (UNTL) (Renne, 2002; World Bank, 2025; Reuters, 2024). These businesses' demise is now frequently cited as proof of the long-term effects of liberalization that was not well timed, neglect of infrastructure, and unresolved security issues that still impede Nigeria's progress toward sustainable industrialization.

Power dependability is still a major productivity obstacle: Because of Nigeria's deteriorating grid, businesses are forced to provide their own energy at a significant cost, which makes industrial hubs like Kaduna and Kano less competitive when compared to imports (Reuters, 2024; Reuters, 2024). These difficulties are exacerbated by insecurity. While energy industry studies emphasize project delays or exclusions in dangerous areas, the Manufacturers Association of Nigeria estimates a considerable manufacturing attrition in the North-East as a result of violence and expensive private security expenses (Reuters, 2024; Clean Technology Hub, 2022).

Three interconnected analytical strands are identified in the article, which places the rise and fall of industrialization in Northern Nigeria within a long-term historical trajectory. The first focuses on lessons learned from Kaduna-Kano's industrial boom, which was fueled by estate development, raw material links, and policy incentives; the second identifies current crises, including energy insecurity, forex instability, global competition, and insecurity; and the third identifies pathways

for a sustainable revival, including decentralized power solutions, tariff reforms, funding for machinery modernization, industrial corridor security compacts, import substitution through local input development, and import substitution. Current entrance opportunities for bolstering industrial resurgence are provided by emerging adaptive tactics, such as businesses switching to local raw materials and naira-denominated inputs (Financial Times, 2025).

### **Rise of Northern Nigerian Industries**

The development of Northern Nigerian industry was the result of multiple historical events that spanned the colonial, post-independence, and oil boom periods rather than being an abrupt or isolated phenomena. Every stage represented both the wider global changes and Nigeria's evolving political economy. The North's industrial significance in the middle of the 20th century was built on the pillars of its post-independence governmental action, colonial infrastructure planning, and agricultural prosperity.

### **Colonial Foundations and Early Industrial Policies**

During the colonial era, Northern Nigeria's industrialization was largely an outgrowth of British imperial economic goals, designed primarily to serve the needs of metropolitan industries rather than foster autonomous regional development. The colonial economy was structured around the extraction and export of raw commodities—particularly cotton, groundnuts, hides, and skins—which fed directly into British textile mills in Lancashire and other industrial centers (Forrest, 1995). By reorienting the agrarian economy towards cash crops for export, the British colonial government effectively reconfigured local production systems to meet global demands. This extractive orientation dictated both the nature and extent of industrial activity in the region, ensuring that industrialization took the form of commodity-processing rather than manufacturing for local consumption or domestic industrialization.

To facilitate this integration into international markets, the colonial state made targeted investments in transportation infrastructure. Chief among these was the railway system, especially the Kano–Lagos line, which became the backbone of the groundnut and cotton trade. The railway not only enabled large-scale extraction but also spatially restructured the economy by tying hinterland production zones more tightly to southern export ports. Kano, which already served as a precolonial commercial hub, was transformed into a nodal point for the storage, processing, and export of cash crops. However, this infrastructural development was not aimed at nurturing indigenous industrial production but rather at improving the efficiency of commodity flows to Britain and beyond.

Industrial endeavors under colonial rule were largely restricted to commodity-processing establishments such as ginneries for cotton and oil mills for groundnuts. These were designed to prepare raw materials for export rather than produce finished goods locally. For instance, cotton grown in Northern Nigeria was typically processed in ginneries to remove seeds before being exported to Britain, where the higher value-added stages of spinning and weaving occurred. This ensured that the most profitable phases of the production chain remained under metropolitan control. Local entrepreneurial efforts to establish independent industries were either marginalized through restrictive licensing and discriminatory access to credit, or structurally undercut by the dominance of export-oriented firms backed by colonial capital (Falola, 1996).

Nevertheless, certain colonial initiatives marked tentative steps towards more structured industrialization. A significant milestone was the establishment of Nigeria's first planned industrial estate, the Bompai Industrial Estate in Kano, in the 1950s. Although relatively small in scale, Bompai was conceived as a cluster of industrial activity that could capitalize on the proximity of raw materials, labor, and infrastructural support (Renne, 2002). It housed enterprises in textiles, leather processing, and light manufacturing, offering an early model of industrial agglomeration in West Africa. The estate symbolized a cautious shift towards import-substituting industrialization, though it remained heavily dependent on imported machinery and expatriate technical expertise.

Parallel to these developments, the colonial administration established organizations such as the Northern Regional Production and Marketing Board. This body sought to control commodity markets, stabilize farmer incomes, and channel agricultural surpluses into broader economic development initiatives (World Bank, 1982). In theory, the Board provided a mechanism to capture value from agricultural exports and reinvest it in the regional economy. In practice, however, much of the surplus was diverted into colonial coffers or used to support infrastructural projects that reinforced the extractive export model.

Despite these efforts, colonial industrialization in Northern Nigeria was severely limited in both scope and impact. Factories and industrial enterprises were primarily oriented toward facilitating the export of raw or semi-processed commodities rather than promoting diversified manufacturing or technological upgrading. The marginalization of local entrepreneurship meant that indigenous industrialists were rarely able to compete with expatriate firms that enjoyed preferential access to capital, machinery, and markets. More broadly, the colonial industrial strategy reflected the larger logic of dependency: by design, it entrenched Northern Nigeria's role as a supplier of raw materials for metropolitan industries, while leaving the region dependent on imported finished goods. This asymmetry locked the region into a subordinate position in the global economy, with long-term consequences for postcolonial industrial development.

In this sense, the colonial industrial legacy in Northern Nigeria exemplified the broader contradictions of imperial economic planning. On one hand, the colonial state created infrastructure and institutions that integrated the region into global trade networks and introduced limited forms of industrial organization. On the other hand, it systematically constrained the possibility of autonomous industrialization, privileging British commercial interests above local development. These structural imbalances persisted well into the post-independence period, shaping the challenges of industrial policy, entrepreneurial capacity, and economic diversification that Northern Nigeria would continue to face in the decades after decolonization.

### **Post-Independence Expansion and State-Led Industrialization**

Northern authorities aimed to erase colonialism's extractive legacy by ambitious state-led industrialization after gaining independence in 1960. This was a component of a larger national import-substitution plan that promoted indigenous production in an effort to lessen reliance on imports. A major force behind this change was the Northern Regional Government, which took advantage of its political independence and agricultural riches (Mustapha, 2002).

This industrial revival began symbolically in 1957 with the founding of Kaduna Textiles Limited (KTL). KTL quickly rose to prominence as one of the biggest employers in the North thanks to state funding and technological alliances with international companies. Because of its success,

other companies were established, such as Arewa Textiles and United Nigerian Textiles Ltd. (UNTL), solidifying Kaduna's standing as Nigeria's premier textile city. Through agro-processing endeavors and the growth of Bompai Estate, Kano solidified its industrial significance in the meantime, drawing in both foreign investment and local businesspeople. The estate developed into one of Nigeria's first examples of a structured industrial cluster, with enterprises that produced everything from food and beverages to pharmaceuticals.

As new state entities arose to lead Northern Nigeria's industrial development, these changes were not only economic but also institutional. The most important of them was the Northern Nigeria Development Corporation (NNDC), which was founded in 1949 but saw significant growth in the 1960s. The Northern Regional Government was intended to use the NNDC as an institutional tool to raise public funds, make strategic investments in business endeavors, and lessen the region's reliance on foreign investment and southern Nigeria for economic support (Miles, 1978). In actuality, it operated as a kind of quasi-sovereign investment vehicle, combining funds from local income and directing them into joint ventures with both foreign and domestic business owners. The actions of the NNDC were a reflection of the postcolonial developmentalist mindset that was prevalent in Nigeria in the early years of independence. The goal of the NNDC was to turn agricultural surpluses into industrial capital by building on the legacy of colonial commodity boards and marketing organizations. Textiles, food processing, cement manufacturing, banking, real estate, and transportation services were just a few of the many industries that were represented in its portfolio. The NNDC was instrumental in reducing entry hurdles for Northern investors, who frequently had access to substantial finance or technical know-how, by establishing itself as a financier and co-owner of businesses. Partnerships with multinational corporations, such as those from Britain, Japan, and India, brought in technological know-how, while the corporation's public backing ensured a degree of financial stability and risk-sharing that encouraged industrial experimentation (Forrest, 1995; Freund, 1981).

With its strong support for import-substitution industrialization (ISI), Nigeria's national policy framework contributed to the success of NNDC-backed businesses in the 1960s and early 1970s. A variety of policy buffers were provided to companies that may substitute domestically produced goods for imported completed goods under the federal government's ISI strategy. These included tax breaks, subsidized loans from development banks, preferential access to import licenses for machinery and raw materials, and protective tariffs that safeguarded domestic businesses from overseas competition (Kilby, 1969). As a result, state-sponsored businesses were able to make a profit in spite of production inefficiencies, a lack of economies of scale, and comparatively high expenses when compared to their foreign rivals.

One of the most notable industries to gain from this policy alignment was the textile industry. Large mills like the United Nigerian Textiles Limited (UNTL) and the Kaduna Textile Limited (KTL) grew quickly with NNDC support, generating thousands of jobs and transforming Kaduna into an industrial center. These mills decreased dependency on imported textiles by supplying materials for the expanding domestic market in addition to absorbing raw cotton from nearby farmers. These businesses were able to endure changes in international markets while integrating industrial activity more deeply into the Northern Nigerian economy thanks to the protective policy framework and NNDC's financial strength (Renne, 2002). In addition to textiles, the Bank of the North was one of the NNDC-supported businesses that was essential in funding Northern business owners and making sure that credit distribution matched regional development objectives. In an

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effort to diversify its holdings and promote urban development in Kano, Kaduna, and Jos, the company also made real estate and hospitality investments. In many ways, the NNDC asserted the region's ability to set its own industrial course in collaboration with both domestic and foreign investors, serving as both an economic player and a symbol of Northern regional autonomy within the federation (Suberu, 2001).

However, the heavy reliance on state-led institutional mechanisms carried inherent vulnerabilities. While the NNDC was instrumental in mobilizing industrial capital, its enterprises often became dependent on continued government subsidies and the broader ISI policy environment. The protective walls of import licensing, subsidized credit, and tariff barriers, while beneficial in the short run, insulated firms from global competition and discouraged efficiency or technological innovation. Moreover, political patronage sometimes influenced investment decisions, leading to the misallocation of resources or the overextension of public funds into ventures with limited viability (Forrest, 1993). Nevertheless, during the 1960s and early 1970s, the synergy between institutions like the NNDC and Nigeria's ISI framework created a rare window of industrial vibrancy in Northern Nigeria. By anchoring development in both state-backed enterprises and collaborative ventures, the NNDC not only laid the foundation for key industrial clusters but also helped cultivate a generation of Northern entrepreneurs, managers, and skilled workers who would play important roles in the region's economic life. This institutional foundation, however, would later be tested as global economic pressures, domestic political upheavals, and shifts in federal economic policy began to unravel the protective environment that had underpinned early successes.

### **Key Industries and Their Socio-Economic Role**

Northern Nigeria emerged as the country's textile production hub and a significant participant in agro-industrial processing by the 1970s. Tens of thousands of people were engaged in the textile industry alone, making it one of the biggest employers in the nation's private sector (Renne, 2002). Strong ties between rural agriculture and urban industry were strengthened by its demand for raw cotton, creating a positive feedback loop that linked farmers, transporters, and factory workers. In addition to textiles, notable industries included cotton ginning, hide and skin tanning, and groundnut oil production. In addition to boosting local consumption, these industries established the North as a source of Nigeria's export revenue. Significant urbanizing impacts resulted from the rise of industry: Kano solidified its centuries-old image as a trade hub into that of a contemporary manufacturing center, while Kaduna, which had previously been a small administrative town, quickly grew into an industrial city (Mustapha, 2002).

The socioeconomic effects went beyond income and work. Housing construction, education and skill development, and service industries from banking and insurance to transportation and logistics all grew as a result of industrialization. Along with representing the North's ambitions for independence and equality within Nigeria's federal system, factories also came to represent modernity and regional pride.

### **Collapse and Decline of Northern Nigerian Industries**

One of the most notable and painful episodes of deindustrialization in post-colonial Africa was the collapse of Northern Nigeria's once-vibrant industrial sector beginning in the late 1980s. With Kaduna and Kano serving as its industrial epicenters, the region had for decades been celebrated

as the “Manchester of Nigeria,” owing to its concentration of textile mills, garment factories, food processing plants, and agro-industrial enterprises (Forrest, 1993; Renne, 2002). By the mid-1980s, however, this image of modernity and economic vitality began to unravel. Within less than two decades, many of these factories had either shut down entirely or were operating at minimal capacity. What had once been a landscape of humming production lines and bustling industrial estates gave way to a terrain of derelict warehouses, idle machinery, and deserted production halls—silent monuments to structural fragility and missed opportunities.

The collapse was not the result of a single shock but rather the cumulative outcome of interlocking crises that compounded one another over time. At the global level, the restructuring of trade regimes and the neoliberal turn of the 1980s exposed domestic industries in developing countries to unprecedented competition. The Structural Adjustment Programs (SAPs), introduced in Nigeria under pressure from the International Monetary Fund (IMF) and the World Bank, required trade liberalization, currency devaluation, and subsidy removal. For Northern Nigeria’s industries—particularly textiles, which had thrived under the protective umbrella of import-substitution policies—this sudden exposure to cheap, imported fabrics from Asia proved catastrophic (Biersteker, 1987; World Bank, 1994). Local mills could not compete with the lower prices and higher quality of imports, leading to a rapid loss of market share.

At the same time, domestic policy missteps magnified these global pressures. The removal of import licensing regimes, while theoretically intended to promote efficiency, created an uneven playing field in which under-capitalized Nigerian firms were forced to compete against multinational exporters benefiting from economies of scale. The lack of coherent industrial policy and erratic shifts in government regulations created an environment of uncertainty that discouraged reinvestment and modernization. While other countries in Asia and Latin America invested heavily in upgrading technology, Northern Nigerian firms continued to rely on outdated machinery, much of it dating back to the 1960s and 1970s. This technological stagnation eroded productivity and further widened the gap with international competitors (Kilby, 1988).

Infrastructural decay compounded these economic challenges. Chronic electricity shortages became one of the most cited obstacles to industrial survival. Unreliable power supply forced factories to rely on expensive diesel generators, significantly raising production costs. Poor transportation networks, including deteriorating railways and congested roads, hampered both the supply of raw materials and the distribution of finished goods. For industries like textiles, which depended on steady inflows of locally grown cotton, these logistical bottlenecks disrupted production cycles and raised input costs (Bagchi, 2007).

The insecurity that spread across Northern Nigeria from the late 1990s onward further undermined industrial viability. The rise of banditry, insurgencies, and ethno-religious violence, particularly in the North-East and North-West, disrupted labor markets, displaced communities, and dissuaded both domestic and foreign investors from committing resources to the region. The decline of Kaduna as a textile hub and Kano as a commercial and industrial powerhouse reflected not only economic mismanagement but also the failure of the state to guarantee security and create a conducive business environment (Ibrahim, 2014).

Institutional weaknesses also played a decisive role in accelerating deindustrialization. The Northern Nigeria Development Corporation (NNDC) and other regional investment vehicles, once central to industrial growth, were weakened by mismanagement, corruption, and declining state revenues. Federal policies during the oil boom years of the 1970s had already shifted the national focus away from agriculture and manufacturing toward petroleum rents. By the time the oil price collapsed in the 1980s, the institutional scaffolding that had once supported industrial growth in

the North had been hollowed out. Without consistent government backing or innovative private-sector leadership, industrial estates became increasingly unviable.

The cumulative effects of these forces were devastating. Between the late 1980s and early 2000s, Northern Nigeria's manufacturing sector shed tens of thousands of jobs. Iconic firms such as Kaduna Textile Limited (KTL), Arewa Textiles, and United Nigerian Textiles Limited (UNTL) closed their doors, leaving behind a generation of displaced workers and shattered industrial communities (Renne, 2002). The collapse of these industries also had cascading social consequences: rising unemployment, deepening poverty, rural-urban migration, and heightened vulnerability to political and religious extremism. The erosion of stable wage employment further strained traditional support systems, contributing to growing social instability in the region (Mustapha, 2006).

Thus, the deindustrialization of Northern Nigeria in the late twentieth century must be understood as a multidimensional process an intersection of global neoliberal restructuring, domestic policy incoherence, infrastructural neglect, insecurity, and institutional failure. Rather than building on the industrial gains of the 1960s and 1970s, these combined pressures reversed decades of progress, turning the region from a symbol of industrial promise into a stark reminder of structural fragility. The collapse not only reshaped the economic landscape but also left enduring scars on the social fabric, highlighting the intricate ties between industrial capacity, regional stability, and national development.

### **Structural Adjustment and Trade Liberalization**

Introduced in 1986 under the direction of the World Bank and the International Monetary Fund (IMF), the Structural Adjustment Programme (SAP) was the first significant disruption. According to Iyoha and Oriakhi (2002), SAP changed Nigeria's economic strategy from state-led industrialization and protectionism to liberalization, market deregulation, and export-orientation. Important elements included trade liberalization, subsidy elimination, and currency devaluation, which instantly exposed Nigeria's vulnerable manufacturing sector to fierce international competition.

SAP signaled the start of the decline for Northern industry, especially the textile plants in Kaduna and Kano. They had prospered in a protected domestic market during the 1960s and 1970s import-substitution programs. However, domestic competitiveness was weakened by the abrupt surge of cheaper textile imports from Asia, particularly China and India (Renne, 2002). Because foreign exchange expenses were expensive, local businesses who were already using antiquated machinery were unable to update. Businesses were unable to compete as a result of devaluation, which made imported technology and spare parts more and more expensive, leading to numerous closures and layoffs.

### **Energy and Infrastructure Constraints**

If liberalization made it harder to compete, the ongoing energy crisis made it impossible for industries to survive. Massive transmission losses, frequent grid failures, and unstable supply were the hallmarks of Nigeria's power system by the 1990s. Due to pressure on industrial companies to use diesel-powered generators for self-generation, production prices significantly exceeded global standards (Adenikinju, 2003). The cost burden was particularly high for interior cities like Kaduna and Kano, which are hundreds of kilometers away from coastal energy infrastructure.

According to the Manufacturers Association of Nigeria (MAN), power-related expenditures in Northern companies accounted for 30–40% of production costs, rendering large-scale manufacturing unsustainable (MAN, 2009). The cost difference widened even more as Asian competitors benefited from steady, subsidized electricity. These issues were made worse by inadequate transportation infrastructure. As Nigeria's railways deteriorated, industries had to rely more and more on costly, unsafe road networks to carry both raw materials and completed items. The fundamental uncompetitiveness of Northern industry was exacerbated by this infrastructure bottleneck.

### **Insecurity and Regional Shocks**

The industrial collapse was further compounded by the worsening security situation in Northern Nigeria. In the North-East and North-West, growing banditry, farmer-herder conflicts, and subsequent insurgency caused supply chain disruptions, discouraged investment, and increased logistical costs from the late 1990s to the 2000s (Okoli & Ugwu, 2019). As rural violence rocked Zamfara, Katsina, and Borno, cotton once the lifeblood of Kaduna's textile factories—became more and more unavailable.

According to research by the Industrial Centre for Investigative Reporting (ICIR, 2018), the cost of transporting goods via corridors affected by conflict increased significantly, requiring businesses to either absorb losses or pass costs on to customers, which decreased demand. The industrial ecology of the North was further depleted by the widespread insecurity, which deterred international investors and led many domestic business owners to move their operations to the comparatively safer South-West.

### **Collapse of Iconic Factories and Socio-Economic Consequences**

These shocks combined to cause the demise of formerly legendary manufacturing companies. Once emblems of regional pride, United Nigerian Textiles Ltd. (UNTL), Arewa Textiles, and Kaduna Textiles Limited (KTL) were forced into liquidation by the early 2000s (Renne, 2002). Their closure indicated the breakdown of a local industrial identity in addition to corporate failure. There were significant socioeconomic repercussions. Over 350,000 people were employed countrywide by Nigeria's textile industry at its height in the early 1980s, with the majority of those employed in Kaduna and Kano. Less than 30,000 were left by 2006 (Aremu, 2010). Thousands of young people were forced into the informal economy, agricultural-industrial ties deteriorated as cotton demand fell, and urban unemployment skyrocketed as a result of the industrial labor force's layoffs. Because disenfranchised adolescents were more likely to be recruited by insurgent and bandit groups, scholars have connected this structural unemployment to the growing instability that eventually swept Northern Nigeria (Mustapha, 2002).

### **Policy Drift and Institutional Decay**

Institutional failure was the primary cause of the collapse of Northern industries, independent of domestic and international shocks. Although industrialization tactics were outlined in national development plans by successive Nigerian governments, their execution was patchy and hampered by corruption, rent-seeking, and uneven policy regimes (Lewis, 2007). Once the backbone of industrial expansion in the 1960s and 1970s, state-led development enterprises deteriorated into

ineffective bureaucracy beset by unmanageable debt loads and political capture. Nigeria remained trapped in a cycle of protectionism, reliance on oil rents, and poor institutional adaptability, in contrast to East Asian countries that responded to globalization by implementing export discipline and modernizing their technology. The industrial sector consequently lacked resilience against both internal vulnerabilities and external competition.

### **Reshaping the Socio-Political Fabric**

Beyond just economics, Northern Nigeria's industry collapse changed the sociopolitical landscape of the area. Regional disparity between the North and South grew as industrial employment declined, with Lagos and Ogun maintaining comparatively higher levels of industrial activity. Perceptions of marginalization were strengthened by this growing gap, which also fueled political resentment that manifested itself in both separatist movements in the South and insurgency in the North.

Kaduna and Kano's urban decline was exacerbated by the abandoned landscapes of industrial estates that had formerly been hubs of urban activity. Although they thrived, informal economies were unable to match the scale and permanence of industrial jobs. As a result, the fall solidified cycles of underdevelopment, poverty, and insecurity, enshrining structural issues that still characterize Northern Nigeria today.

### **Contemporary Challenges and Pathways for Revival**

The current era is marked by both enduring limitations and new potential, despite the fact that the historical collapse of Northern Nigerian industry revealed profound structural vulnerabilities. Nigeria's manufacturing sector is still underperforming in comparison to its potential; manufacturing value-added still makes up a very small portion of GDP, much below what is required to promote structural change and mass employment (World Bank, 2022). The North's poor performance is exacerbated by unfavorable geographic conditions, ongoing insecurity, and inadequate infrastructure. However, if governmental interventions are bold, well-coordinated, and maintained, recent firm-level adjustments, the potential of continental markets under the AfCFTA, and lessons learned from successful industrial park plans elsewhere suggest practical entry points for revival.

#### **Energy insecurity and the cost of production**

Perhaps the biggest obstacle to industrial resurgence is energy uncertainty. Due to the frequent outages, systemic inefficiencies, and significant transmission losses in Nigeria's grid, many businesses rely on gas or diesel generators to provide the majority of their energy needs (Adenikinju, 2003; World Bank, 2022). Industry associations estimate that energy costs about 30 to 40 percent (or more) of production expenses in various industries, and manufacturers frequently claim that energy expenditures make up an abnormally high portion of operational costs. This undermines pricing competitiveness when compared to imports. Because imported competitors land cheaper through coastal ports where electricity and transportation costs are lower, these expenses are particularly damaging for inland clusters like Kaduna and Kano (Adenikinju, 2003; BusinessDay, 2024).

The policy implication is simple: industrial clusters will not be able to compete unless the cost of power is drastically reduced and its dependability is increased. Cluster-level electrification strategies—specific industrial power plants that supply an estate, captive power arrangements that enable industrial parks to pool demand and obtain funding, and decentralized renewable microgrids that lessen reliance on diesel and the central grid—are examples of promising technical and policy solutions (Clean Technology Hub, 2021; BusinessDay, 2024). These strategies also support the World Bank's and AfDB's recommendations to "power" industrialization by reducing the risk of private investment in industrial electricity through blended finance instruments and targeted investments (AfDB, 2021; World Bank, 2022).

### **Foreign-exchange volatility and access to finance**

Another set of severe limitations is the unpredictability of foreign exchange rates and the restricted availability of long-term, reasonably priced financing. In addition to limiting working capital management, ongoing naira devaluation and currency market fragmentation have increased the local currency cost of imported machinery, spare parts, and inputs (Central Bank of Nigeria [CBN], 2023). Many Northern businesses, particularly small and medium-sized businesses (SMEs), do not have the balance sheets, collateral, or credit history required to obtain commercial financing for modernization.

Policymakers should use a variety of tools to address this, including export refinancing facilities, partial credit guarantees for SME lending, concessional modernization credit lines (with technical support and disbursement linked to quantifiable upgrades), and credit lines that support local input suppliers (AfDB, 2021). At the same time, export stabilization funds, forward-cover facilities for exporters, and incentives for local supply chains that invoice in naira can all help mitigate currency risk and lessen exposure to foreign exchange shocks. Naira-denominated sourcing and localization have the ability to reduce exposure, according to recent corporate answers (Financial Times, 2023).

### **Insecurity and logistics bottlenecks**

One of the main obstacles to the industrial rebirth is insecurity, which might take the form of insurgency, banditry, kidnapping, and intercommunal conflicts. In addition to raising transportation costs through route diversion and private security expenditures, violent episodes often interrupt the supply of agricultural raw commodities, particularly cotton, and discourage both domestic and foreign investors from investing in regional capital projects (Okoli & Ugwu, 2019; ICIR, 2018). Practically speaking, the security premium that businesses have to pay (private guards, convoying, insurance, and rerouting) reduces planning horizons and raises operating expenses.

Integrated security–logistics compacts that combine (a) targeted state action to secure critical corridors and estates; (b) private investment in hardened logistics infrastructure and warehousing; and (c) community-anchored approaches—reviving recognized local institutions to provide early warning and conflict mediation—are necessary as remedial measures that go beyond military operations (Okoli & Ugwu, 2019). In order for businesses to withstand shocks without stopping production, such compacts should be paired with investments in resilient supply chain architecture (such as decentralized storage, buffer stocks, and alternative routing).

### **Global competition, smuggling and trade enforcement**

Domestic firms are exposed to low-cost competition from Asian and other companies due to global value chains. Cheap imports, parallel imports, and smuggled items that undercut local pricing have particularly hurt Nigeria's textile and light manufacturing sectors (Aremu, 2010; research on smuggling and import surges). This issue is made worse by lax customs enforcement and permeable land borders, which means that in reality, tariff protection is frequently ineffectual (ResearchGate study; ISS comments).

Demand-side and supply-side levers must be combined in policy responses: bolster anti-smuggling enforcement and customs capacity; increase transparency in tariff and waiver regimes (to eliminate rent-seeking incentives); and implement a "export discipline" model in which incentives (subsidized credit, tax breaks) are contingent on verified domestic value addition or export performance (Rodrik, 2004). Support for standards compliance and quality improvement is equally crucial so Northern producers may reach higher-value regional and international markets instead of competing just on price.

### **Emerging adaptations and local opportunities**

There are encouraging indications of adaptation and emerging prospects in spite of these obstacles. Some businesses have switched to naira-based supply chains and local inputs, which has decreased their exposure to foreign exchange risk and strengthened their ties to agriculture (Financial Times, 2023). Resilience can be accelerated by such localization initiatives when backed by governmental policies (graded input markets, extension services, and cash crop seed/seedling programs).

An additional option is provided by industrial parks and special economic zones (SEZs). A clear package that appeals to investors (land, utilities, logistics, and export facilitation) and quick, coordinated infrastructure investments can draw in international buyers and generate a significant number of manufacturing jobs, as demonstrated by Ethiopia's Hawassa Industrial Park (World Bank case study; Hawassa evaluations). Scalability, however, necessitates consideration of pay, labor standards, and connections to local suppliers; Ethiopia's experience demonstrates both opportunities and risks (risk of labor conditions, reliance on preferential market access). Therefore, a realistic export market plan, strong local connectivity policies, and worker protections should be included of any industrial park strategy for Northern Nigeria (World Bank, 2017; UNDP/World Bank evaluations).

Furthermore, a medium-term opportunity to expand markets and create regional value chains that boost the returns on local industrialization is provided by the African Continental Free Trade Area (AfCFTA). Standards, tariff harmonization, trade facilitation, and logistics are supply-side gaps that Nigeria must close in order to effectively utilize the AfCFTA. Additionally, Northern companies must be able to meet regional demand for textiles, agro-processed goods, and intermediate inputs (AfCFTA policy briefs; ODI; Afreximbank analyses).

### **An integrated revival agenda: practical policy instruments**

The following components should be included in a logical recovery strategy for Northern Nigerian industry, building on the facts and experiences learned from other countries:

#### **1. Green power and cluster electrification**

Utilizing power-purchase agreements and blended finance, develop industrial-estate power projects (hybrid grid + renewables) to lower costs and risk; promote captive generation for clusters in the near term while fortifying the national grid in the long run (Clean Technology Hub, 2021; AfDB, 2021). Encourage firms to make investments in cogeneration and energy efficiency by offering tax breaks and favorable loans for energy-efficient machinery.

## **2. Finance for Targeted Modernization**

Provide technical support for equipment improvements along with concessional retooling facilities (partial grants + low-interest loans) that are tied to milestones (local sourcing, job creation). Leverage commercial bank funding for SMEs by using partial credit guarantees. (AfDB, 2021).

## **3. Security-Logistics Compacts**

Incorporate local community mediation, police reform, and targeted infrastructure investments into public-private partnerships to safeguard important supply corridors and industrial estates. To cut down on disruption expenses, plan backup logistics (buffer supplies, alternate routes).

## **4. Enforcement of Anti-Smuggling Laws and Customs Reform**

Remove ad hoc waivers that lead to arbitrage opportunities; o Combine enforcement with support packages for businesses to improve product quality and competitiveness; o Strengthen customs capacity through digital manifests, risk-profiling, and cross-border collaboration.

## **5. Industrial Parks with Local Connections**

Using the insights learned from Hawassa, create contemporary industrial parks that combine land, water, power, and one-stop investor facilitation. To prevent enclave effects, park owners should be required to provide local procurement, skill development, and export connections top priority (World Bank, 2017).

## **6. Apprenticeships, Skills, and Firm-University Connections**

To increase efficiency and encourage incremental innovation, expand technical and vocational training programs that were co-designed with companies; support apprenticeship models and R&D partnerships.

## **7. Localization and Value-chain Development**

Encourage the growth of backward linkages by connecting farmers (such as cotton producers) to processors with forward contracts and price stabilization mechanisms through market-making interventions, extension services, and input aggregation platforms.

## **8. Export Incentives and Currency Risk Management**

To lower currency risk and motivate businesses to expand for regional markets, provide performance-based export incentives and hedging tools (export credit, FX forward facilities) (Financial Times; CBN policy frameworks).

### 9. Youth Employment and Social Inclusion

Combine social protection, business development, and youth employment initiatives with industrial revitalization to lessen the number of potential recruits for violent non-state actors.

### 10. Institutional Reform, Monitoring, and Evaluation

To minimize capture and guarantee policy continuity, form a cross-ministerial taskforce to carry out, oversee, and assess revival initiatives with involvement from the private sector and civil society (Rodrik, 2004; World Bank, 2022). If implemented, these tactics have the potential to stabilize Nigeria's larger pursuit of inclusive growth and structural change by transforming the North's industrial landscape from one of decline to one of resilience and competitiveness.

#### Conclusion

Northern Nigeria's industrialization trajectory demonstrates the potential of state-led modernization as well as the weaknesses of inadequate governance and international exposure. The North was a major industrial center from the colonial era until the oil boom years, especially in the textile and agro-processing industries. But by the early 2000s, systemic negligence, policy errors, and structural shocks had caused a catastrophic collapse. Energy instability, exchange rate volatility, insecurity, and international rivalry are some of the major issues the region is currently facing, but there are also chances to take advantage of its agricultural foundation and past industrial expertise. Northern Nigeria may once again become a hub of economic activity, serving as an anchor for the larger development of the country, if practical reforms are implemented.

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