

CHAPTER 22

INDUSTRIALISATION

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INTRODUCTION

Industrialisation is the transformation of an economy primarily based on extractive activities to an economy based on manufacturing. In other words, this is the process by which an economy based on agriculture, mining, etc. is metamorphosed into an industrial based economy. Industrialization involves the creation of many firms with the capability of production of goods and services. An Industry is a group of firms producing similar goods or services under different management. For example, in the aviation industry in Nigeria, we have Arik airline, Overland, Medview, and others. These are firms rendering the same services under different management in the same industry.

A firm is therefore a unit whereby factors of production are organised to produce goods or services or both.

Types of Industry

1. **Agricultural Industry:** This includes all areas of agriculture like farming, fishing, etc. This can include animal husbandry, crop production and poultry.
2. **Manufacturing Industry:** this includes all manufacturing processes. It operates at the secondary level of production. Manufacturing industries usually convert raw materials to finished goods. Examples include; the textile industry, plastic industry, and others.
3. **Mining Industry:** This industry is concerned with the mining of all mineral resources like Petroleum, Gold, etc. The quarrying of limestone to make cement can also be classified under this same industry.
4. **Construction Industry:** This is sometimes referred to as building and construction Industry. It includes all activities that relate to building and constructions. Examples of firms in this industry include Lafarge and Dangote cement to mention a few.
5. **Transport Industry:** Transport industry is concerned with the movement of people and goods from place to place. The movement of people and goods can be by air, water, and Land. Examples of firms in transport industry includes Arik air, Ola express, etc.
6. **Power and energy industry:** This industry deals with the generation, transmission, and distribution of electricity. Firms in this industry includes Power Holding Company of Nigeria and Transmission company of Nigeria.

Location of Industry

Apart from deciding what to produce, an entrepreneur must consider where to situate his business. The siting or establishment of an industry or firm in a particular area or place is referred to as location of industry. Every entrepreneur has interest in situating his business in the best available place that will attract maximum profit. In choosing a location, one must consider the fact that cost of production must be at the lowest level for sustenance of the industry.

Factors that influence the location of an industry

1. **Closeness to Raw Materials:** Industries are usually situated close to the source of raw materials especially when the raw materials needed are bulky, heavy or not movable. Cement Factories for instance are in location where there is presence of Limestone. In the same vein, the availability of Perishable goods like fruits useful for fruit canning industries also determine the location of such industries.
2. **Nearness to Market:** Heavy and Bulky goods are better produced close to a large market where it can be easily sold to ease the stress of transportation. There should be ready market in an environment for an industry to be located in such a place as this will reduce the cost of transportation to the market. When an industry is located close to the market, such industry can be said to be a market-oriented industry.
3. **Nearness to Source of Power:** Coal mines attracted industries to themselves when coal was a major source of power, but electricity has now taken over and the availability of electricity now influence the location of many industries. It is therefore important to have a reliable source of power before an industry can be put somewhere. These sources of power could be electricity, Coal, Solar, Thermal, and so on.
4. **Availability of Labour:** The possibility of getting the kind of labour needed for production in a particular area plays a great role in the location of industry. Most industries are located in the city because there are many skilled workers there because of the availability of educational facilities.
5. **Availability of Transport Network:** the availability of road networks, airport or seaport facilities or railways influence the location of industry which needs to import or even locally move its raw materials. When raw materials needed from far are perishable, industries using such are mostly situated near the port. Asides raw materials, transport is also needed to move the finished goods to the market or to where the supply of such goods will be needed.
6. **Political Stability:** The political situation of an economy determines how much the country will attract foreign investors. Places with war or conflict discourage the location of industries, for example, it is hard to locate industry in a place like Maiduguri in Nigeria because of the activities of the Boko haram insurgents.
7. **Climate:** Climate determines the kind of industry that will be situated in a place. Some places with heavy rainfall are attractive to some industries because the area will encourage the production of their raw materials. For example, cornflakes production companies will be in places with maize farms.
8. **External economies:** The presence of some firms in some areas Influence the location of similar firms in the area. This is common when the firm will utilize some by-products of the existing firm.

Localization of Industry

Localization of industry is the concentration of firms or industries producing similar goods or services in a particular area. Generally, firms can be sited far from close competitors in order to have the market control, but it has been noticed that firms usually cluster around areas where there are similar firms in order to take advantage of external economies of scale.

Factors that favour localization of industry

1. **Access to raw materials:** Many firms using the same raw material will come together to stay close to the source of raw material.
2. **Access to Market:** Many firms can be found in a place where their products can be easily sold.
3. **Government policy:** Government can reserve a particular area for a particular type of industry for different reasons, it can be for geographical or political reasons.
4. **Access to labour:** The ready availability of the type of labour required in a particular area encourages industries to come together in such place.
5. **Availability of infrastructural facilities:** The availability of good roads, water, electricity, communication lines, etc, can lead to localization of industry.

Advantages of localization

1. **Employment generation:** The localization of industry in an area leads to the creation of jobs in such area.
2. **It leads to development:** The growth of industry leads to a rise in the production of goods and services which in turn leads to rise in development.
3. **Localization of Skilled Labour:** Localization leads to the reservoir of skilled labour for the industries from which new firms can recruit. This can attract new firms to such place.
4. **Division of labour:** The concentration of industry in an area leads to division of labour and specialization, leading to efficiency and increased production.
5. **Prevention of unhealthy competition:** Localization of industry will bring firms together and they will participate in similar organised programmes which will bring them together and thereby preventing unhealthy competition that could have existed if in different location.
6. **Nearness to finance:** Localization of industry will attract banks to come to the area which enables the bank to make finances available to the industry.

Disadvantages of localization of industries

1. **Structural unemployment:** An area with localization of industry stands the risk of unemployment. In a case of change in demand for the product of the industry, the workers will be difficult to absorb into other industries. A sides that; the skilled workers may be skill specific and hence geographically immobile.
2. **Environmental Pollution:** Localization can lead to environmental pollution because of gas emission, noise or even land pollution.
3. **Danger of extensive destruction during war:** Industrial locations are usually targeted during war; thereby exposing the economy to crash-landing if there is extensive destruction in such area.
4. **Pressure on social amenities:** Due to high population, the pressure on available social amenities like water and electricity is high and thereby over stretched.

...place with localization of industry tends to witness high growth at the expense of other cities.

Reasons for Government Participation in the Location of Industry.

1. The need to balance the growth evenly among the different regions.
2. To spread development equitably by distributing government facilities evenly.
3. Political consideration that is government can influence the location of industry to get political favours or to win elections in such area.
4. To prevent rural-urban migration.
5. To provide employment opportunities in the area.

Role of Industrialization in Economic Development of a Nation

1. Increase in Gross National Product (GDP): The earnings of a nation is increased through taxes and other charges payable by industries.
2. Provision of employment: Many graduates are provided jobs when there are industries.
3. Stimulation of other sectors: Growth in the industrial sector leads to growth in other sectors like agriculture and mining, especially when their products are needed.
4. Technological development: Industrialization leads to the development of technology in a country.
5. Infrastructural development: The establishment of industry in an area encourages the development of infrastructure in such area, e.g. roads and electricity.
6. Training and development of skilled labour: Industrialization provides opportunity for the training of skilled labour in the economy. Industries train workers on different technical areas to improve their skills in specific areas and also to handle machines needed for production.
7. Increased standard of living: Production of goods in an area increases the standard of living of those in such area due to availability of cheap and affordable goods and also provision of employment.

Strategies of Industrialization

For industrialization to be achieved in many nations, some strategies and framework have been adopted. These strategies include:

1. Import-substitution strategy: Most nations have adopted this strategy in the past. This is usually the production of goods and services in substitution for import. The government intentionally attempts to encourage industries to produce such goods and services usually imported. In Nigeria, the government once encouraged the establishment of car assembly plants when the demand for cars became so high. A good example is the Peugeot Automobile of Nigeria. This strategy helps to control balance of payment, provide employment opportunities, and development of technological Know-how.
2. Export Promotion Strategy: This is a deliberate government policy aimed at establishing and promoting industries that will provide goods and services that can be exported. Such industries usually make use of local raw materials for production. Government encourages some of such industries by granting them tax holidays, reducing export duties or giving adjusted favourable exchange rate. This strategy

3. Small scale and Largescale development strategy: The small scale strategy usually encourages the establishment of small scale industries in rural areas to provide jobs to the people in rural area thereby prevent rural-urban migration. Government also develops small and large scale industries in order to develop the industrial sector.

When speaking of industrialized economies, we talk of countries like England, Germany, Israel, USA, UK, Japan, Canada and China. All these countries have relatively large manufacturing sector and advanced technology leading to the development of other sectors of the economy like agriculture, mining and services. This leads to the employment of most citizens in the manufacturing sector and the reverse is the case for countries that are not industrialised as most of their labour force will be tied to agriculture.

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1. The establishment of a firm or industry in a place is referred to as _____.
 - a. Industrialization
 - b. Localization of industry
 - c. Location of industry
 - d. Location of firms.
2. The act of producing goods and services in order to lower importation of similar products is _____.
 - a. Industrialization
 - b. Import-substitution strategy
 - c. Export promotion strategy
 - d. Small-scale and large scale development strategy.
3. The concentration of firms or industries producing similar goods and services in a particular place is _____.
 - a. Industrialization
 - b. Localization of industry
 - c. Location of industry
 - d. Location of firms.
4. The deliberate attempt of government in promoting industries that will provide goods and services that can be exported is known as what?
 - a. Large scale development strategy
 - b. Export promotion strategy
 - c. Import promotion strategy
 - d. None of the above.
5. Differentiate between firm and Industry.
6. Differentiate between location and localization of industry.
7. What are the roles of industrialization in economic development?