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INTEREST RATES SPREAD AND THE PERFORMANCE OF THE MANUFACTURING SECTOR IN NIGERIA

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Abstract

This study examined the impact of interest rate spread on the performance of Nigeria's manufacturing sector from 1985 to 2022. The data for this study came from the World Bank's World Development Indicators (WDI) and the Central Bank of Nigeria's (CBN) Statistical Bulletin 2022. The Augmented Dickey-Fuller (ADF) approach was used to run a unit root test on the created model. The variables were integrated in mixed order $I(0)$ and $I(1)$, according to the results of the Augmented Dickey-Fuller unit root test. To ascertain whether there is a long-term correlation between public investment and real sector growth, the study employed the Auto-regressive Distributive Lag (ARDL) model to perform a bound test. The results of the Auto-regressive Distributive Lag (ARDL) bound test indicate that the performance of the manufacturing sector and interest rate spread are related over the long term. The Auto-regressive Distributive Lag (ARDL) result showed that the manufacturing sector's performance is positively impacted by the exchange rate and inflation rate. However, it was shown that foreign direct investment had a negative but insignificant impact on the manufacturing sector's performance, whereas interest rate spread had a negative but substantial effect. As a result, the study finds that interest spread and the manufacturing sector's performance are strongly correlated. The study therefore recommends that the Monetary Policy Authority (CBN) should, among other things, stop deposit money banks from raising lending rates regularly and instead allow them to offer single- or interest-free loans to the manufacturing sector.

Keywords: Foreign Direct Investment, Inflation, Interest Rate Spread, Manufacturing Sector Performance, Rate on Exchange

1. Introduction

Through the transformation of raw materials into final products, the manufacturing sector is concerned with the production of various objects. This procedure is often carried out on a massive scale and may comprise several steps, including design, manufacturing, assembly, and packaging, among others of possibility. The automobile industry, the electronics industry, the textile industry, and other industries are all included in the manufacturing sector. Specifically, it is a significant contributor to employment, innovation, and the manufacturing of things for consumption, all of which are essential to the functioning of the economy.

Manufacturing, as defined by Dabwor (2021), is the process of making commodities for sale or consumption by the use of labour, machinery, equipment, chemical and biological processing, or formulation. The term is most often linked with industrial production, which includes the huge conversion of raw materials into finished commodities. Although it may be used to describe a broad variety of human pursuits, from high technology to handicrafts, it is most commonly associated with industrial production.

According to Soyibo and Adekanye (1992), the interest rate spread is the difference between the income that a bank or credit union makes from loans and investments

and the interest or dividends that they pay to their depositors or creditors. This difference is referred to as the interest rate spread. The comparison of the two quantities allowed for the determination of this discrepancy. Thankgod and Nwikina (2023) defined interest rate spread as a variable annual interest rate that is always equal to the prime rate. This definition was established by the authors. The development of this term was accomplished in conjunction with this viewpoint. The professionals said that the changes in the supply and demand for bonds are the most probable reasons for the spread in interest rates. This is according to the explanations that were supplied by the specialists. For instance, if there is a decrease in the supply of bonds, bond prices will increase, which will lead to a shift in equilibrium. This will occur because of these two factors.

It is vital to keep in mind that a decrease in the demand for bonds not only has a direct impact on the cost of bonds but also on the quantity of bonds that are available for customers to acquire. As a result of this decrease in demand, there has been a decline in the quantity of bonds that have been purchased and sold. On the other hand, as interest rates rise, the cost of borrowing money increases for everyone, including consumers and businesses. According to the Central Bank of Nigeria (2018), industrialization is connected to significant investments that are funded by the accumulation of capital. This is because of the acknowledgement of the significant role that capital plays in the operations of manufacturing. A generally stable macroeconomic environment with little risk is required for the manufacturing sector to maintain its rising performance. This is a precondition for attracting investment and promoting entrepreneurial activity Thankgod and Nwikina (2023). In the meanwhile, the manufacturing sector needs to continue its expanding performance.

Therefore, to boost investments in the manufacturing sector and, therefore, economic growth, it is vital to keep loans, interest rates, and inflation at a level that is manageable consistently. This objective can be

accomplished only via the careful management of interest rates, which is where the opportunity lies. To stimulate a greater level of investment in the various preferred sectors of the economy, which included manufacturing, loan rates were modified via the "invisible hand" (Adeyemi & Olufemi, 2016). The objective of this study is to investigate the impact of interest rate spread on the performance of Nigeria's manufacturing sector from 1985 to 2022. This study expanded the scope of the study beyond what was covered in earlier studies, which was done to meet the broad aim described above.

2. Literature Review

2.1 Conceptual Issues

Concept of Interest Rate Spread

Interest rate spread is the interest charged by banks on loans to private sector customers minus the interest rate paid by commercial or similar banks for demand, time, or savings deposits. It is the difference between the lending interest rate and the deposit interest rate. According to Soyibo and Adekanye (1992), the interest rate spread is the difference between the income that a bank or credit union makes from loans and investments and the interest or dividends that they pay to their depositors or creditors.

Concept of Manufacturing

Manufacturing is the process of turning raw materials or parts into finished goods through the use of tools, human labour, machinery, and chemical processing. Manufacturing often results in the production of items that are exported, which contributes to a positive trade balance. Economies that are characterized by robust manufacturing sectors have the potential to generate cash via the exportation of their goods, which in turn may stimulate economic expansion.

2.2 Theoretical Review

Loan-able Fund Theory of Interest Rate

The cornerstone of this research study is the loanable fund theory of interest rates, which acts as the basis for

the investigation. The theory provides an understanding of the relationship between the supply and demand of loanable money and the fluctuations in interest rates.

Knut-Wicksell, a Swedish economist, is the one who proposed the theoretical concept of loanable funds. According to Knut-Wicksell (1986), the supply and demand for loanable funds are the factors that determine the cost of credit, often known as the interest rate. Three factors contribute to the need for loanable money: the government, businesses, and consumers who require this cash for investment, hoarding, and consuming responsibilities. To provide public amenities or security, the government will borrow money. To finance investment projects and capital goods, the private sector takes out loans. These types of borrowings are interest elastic, and their repayment is mostly determined by the anticipated rate of profit in comparison to the levels of interest. The desire for loanable funds among consumers is specifically to purchase long-lasting consumer products, as well as for persons borrowing money, and these funds are also interest elastic. According to Afolabi (1999) and Chigbu (2006), the inclination to borrow one's money is greater when the interest rate is lower than when the rate is higher.

2.3 Empirical Review

The relationship between the spread of interest rates and the performance of the manufacturing sector has been the subject of investigation in a great number of previous research papers. On the other hand, the results of these investigations were not always consistent from one study to the next. Nwafor (2022) researched to investigate the influence that the spread of interest rates and the volatility of currency rates had on the amount of manufactured goods produced in Nigeria between the years 1981 and 2020. The manufacturing output (MQ) was the dependent variable in the regression model that was estimated, and the explanatory variables that were utilized were the exchange rate (EXCHT), the interest rate spread (IRS), the inflation (INF), the foreign direct investment (FDI), the credit to the private sector (CPS), and the government capital expenditure (GCAP). The

fact that there is a negative association between industrial output and foreign direct investment was discovered by the outcome, even though the relationship is considerable.

Osazevaru (2021) explores the relationship between the operation of Nigeria's informal sector and the variations in interest rates and currency rates. For the years 1981 to 2018, the source that was utilized to construct the statistics on the volatility of the exchange rate and the interest rate provided the annual time-series data on the rates and exchange. These data were used to produce the statistics. Statistical methods such as descriptive statistics, correlation, a unit root test, an Autoregressive Distributed Lag (ARDL) bound test for cointegration, and the ARCH regression model were used to carry out the analysis of the data. Evidence that a long-term connection exists between the volatility of interest rates and exchange rates and the performance of small and medium-sized firms (SMEs) was presented by the results that were obtained via the use of the ARDL bound test. As a result of this discovery, it is clear that all of the variables of interest move through time in tandem with one another. Additionally, the ARCH regression model indicated that the performance of small and medium-sized businesses (SMEs) was favourably influenced by rates of exchange and interest. This was proved by the fact that the ARCH model was predictive. Regarding the other side, the only noticeable thing was the volatility of currency rates.

Additionally, research conducted by Ogbu (2018) investigated the impact that changes in interest rates and currency rates had on the output of Nigeria's manufacturing sector between the years 1986 and 2016. The statistics bulletin published by the Central Bank of Nigeria (CBN) was the source of the secondary data that was integrated into the research. In this study, the ex-post facto research methodology was used, and the Autoregressive Distributed Lag (ARDL) bound test procedures were utilized. Several fundamental diagnostic procedures, including the unit root test of the Augmented Dickey-Fuller (ADF) and Philips-Perron (PP) techniques, were carried out. Based on the data, it

was discovered that changes in interest rates and currency rates had favourable impacts on the production of the manufacturing sector in Nigeria in the short term. In light of this, it can be deduced that the interest rate and exchange rate are the factors that stimulate productivity in the industrial sector in Nigeria.

In addition, Odeleye and Sangodele (2018) investigated the relationship between the performance of Nigeria's manufacturing sector between the years 1980 and 2016 and the fluctuations in interest rates. It has been shown via empirical research that interest rates have a detrimental effect on the use of industrial capacity and value-added in Nigeria. Furthermore, a link was shown between the success of Nigeria's manufacturing sector and fluctuations in interest rates over a lengthy period.

After conducting a thorough analysis of empirical investigations, it was discovered that past studies had generated findings that were both unsettling and contradictory. For example, in the research carried out by Nwafor, Adigun et al (2022), Odeleye and Sangodele (2018), and Erinma (2016), all of the researchers concluded that the performance of the manufacturing sector was significantly influenced by the increase in interest rates.

On the other hand, Osazevaru (2021) and Ogbu (2018) conducted research that was linked to this study and found that interest rate spread is beneficial to the performance of the manufacturing sector. In conclusion, there is a vacuum in research that this study aims to address. This is because no previous study has investigated the combined influence of interest rate difference, currency rate, inflation rate, and foreign direct investment on the performance of the manufacturing sector.

3. Methodology

In this study, the Auto-Regressive Distributive Lag (ARDL) model and the Augmented Dickey-Fuller (ADF) unit root test were used to assess the influence that the spread of interest rates has on the performance of the manufacturing sector in Nigeria. It was possible

to get a secondary time series of data by using the global development indicators provided by the World Bank as well as the statistics bulletin provided by the Central Bank of Nigeria. To determine the interest rate spread, the interest rate spread (IRS), the exchange rate (EXR), the inflation rate (IFR), and foreign direct investment (FDI) are all factors that are taken into consideration. The response variable known as "manufacturing sector performance" covers the period from 1985 to 2022 and is derived from the contribution of the manufacturing sector to the gross domestic product.

3.1 Model Specification

With some modifications, the model that was chosen for this research discourse was developed from the earlier study that Erinma (2016) had conducted. This was done to accomplish the objective of this research discourse. It is for this reason that the functional form of the model is given as follows:

$$AMCU = f(MLR, \dots) \quad (1)$$

$$CMSPDP = f(MLR) \quad (2)$$

Where;

AMCU = Average Manufacturing Capacity Utilisation, CMSPDP = Gross Domestic Product contribution of the manufacturing sector, MLR = Minimum Lending Rate. The Exchange rate was added to the model to adjust it (EXR), Inflation rate (IFR), and Foreign direct investment (FDI) as new variables. The model is specified as follows:

$$MUFQ = f(IRS, EXR, IFR, FDI) \dots\dots(3)$$

The mathematical model could be symbolically expressed as;

$$MUFQ = \beta_0 + \beta_1 IRS + \beta_2 EXR + \beta_3 IFR + \beta_4 FDI \dots \quad (4)$$

Equation (4) above is transformed into an econometric model by incorporating the disturbance term (ϵ) as follows;

$$MUFQ = \beta_0 + \beta_1 IRS + \beta_2 EXR + \beta_3 IFR + \beta_4 FDI + e \dots \quad (5)$$

Where,

MUFQ = Manufacturing Sector Contribution to GDP, IRS=Interest Rate Spread, EXR= Exchange rate, IFR = Inflation rate, and FDI = Foreign direct investment

integration of the variables that were being investigated. This was done to pick the suitable approach to prevent false regression.

3.2 Method of Data Analyses

The Augmented Dickey-Fuller (ADF) unit root test was used in the research project to determine the order of

4. Results and Discussion

Table 1: Unit Root Test Using Augmented Dickey-Fuller (ADF)

Variables	Levels		First Difference		Order of Integration	P-value
	ADF Statistics	5% Critical Value	ADF Statistics	5% Critical Value		
LMUFQ	-1.299196	-2.951125	-3.245175	-2.951125	I(1)	0.0259
IRS	-3.388900	-2.943427			I(0)	0.0176
LEXR	-3.481679	-2.943427			I(0)	0.0142
IFR	-2.505061	-2.963972	-4.598056	-2.967767	I(1)	0.0010
FDI	-3.768612	2.943427			I(0)	0.0068

Source: Extracts from E-view 10. * Level of significance at 5%

The variables of the research were examined using the Augmented Dickey-Fuller (ADF) technique to determine whether or not they were stationary or non-stationary series. This was done based on the results presented to the reader in Table 1.

On the other hand, LMUFQ and IFR were found to be stationary at initial difference 1, whereas IRS, LEXR,

and FDI were determined to be stationary at level I(0). The results of the stationarity test led to the formation of these conclusions. After analysing the stationarity of the variables, it has been discovered that the variables exhibit mixed order of integration, also known as stationarity of level and first differences.

4.1 Co-integration Result

Table 2: ARDL Bound Test

Test Statistics	Value	K
F-statistics	6.922886	4
Significance	I (0)	I(1)
10%	2.45	3.52
5%	3.86	4.01
2.5%	3.25	4.49
1%	3.74	5.06

Source: Authors computation from E-view 10 Output

An examination of the F-statistics to the critical bound values is shown in Table 2, which contains the findings of the bound test. 6.922886 is the value that the F-statistic has to provide. At a significance level of 0.05, the result indicated that the F-statistic is more than both the lower and upper bounds of the critical values, which are 3.86 and 4.01, respectively. This was shown by the

fact that the F-statistic was statistically significant. It may be deduced that there is a certain degree of co-integration between the development of the real sector and the growth of public investment in Nigeria. The findings of the long-run and short-run Auto-Regressive Distributive Lag (ARDL) projections are a consequence of this.

Table 3: ARDL Long-run Result (Dependent Variable =LMUFQ)

Variable	Coefficient	Std. Error	t-statistics	Prob
IRS	0.032372	0.238122	0.135947	0.8935
LEXR	1.165346	0.592388	2.201307	0.0418
IFR	0.066569	0.073304	0.908117	0.3765
FDI	-0.224633	0.541455	-0.414870	0.6834
EC = LMUFQ - (0.0324*IRS + 1.1653*LEXR + 0.0666*IFR -0.2246*FDI)				

Source: Authors computation from E-view 10 Output

Table 3 of the Autoregressive Distributive Lag (ARDL) long-run result suggests that there is a positive+0.032372 relationship between the interest rate spread (IRS) and the contribution of the manufacturing sector to gross domestic product (MUFQ) as a proxy for the performance of the manufacturing sector. This results in a positive correlation between the two variables. If there is a unit increase in the interest rate spread (IRS), the contribution of the manufacturing sector to the gross domestic product (GDP) will, on average, increase by 0.03% (MUFQ). This is because the MUFQ is a measure of the average change in the MUFQ. Based on the p-value of 0.8935, it can be concluded that the interest rate spread (IRS) does not have a statistically significant influence on the contribution of the manufacturing sector to the gross domestic product (MUFQ). Because of the evidence, this is the conclusion that can be derived from them.

Furthermore, there was a positive correlation of +1.165346 between the contribution of the manufacturing sector to the gross domestic product (MUFQ), which is a proxy for the performance of the manufacturing sector, and the log value of the exchange rate (LEXR). This correlation was found to be among the relationships between the two variables. A number of the coefficients of correlation were discovered to be associated with this link.

A one-unit increase in the log value of the exchange rate (LEXR) would result in a one-and-a-half-unit increase in the value of the contribution that the manufacturing sector contributes to the gross domestic product (MUFQ). This is shown by the fact that the value of the contribution was increased by one unit. The

probability value of 0.0418 suggests that there is a significant correlation between the contribution of the manufacturing sector to the gross domestic product (MUFQ) and the log value of the exchange rate (LEXR). This is the case even though the MUFQ is a measure of the gross domestic product.

The contribution of the manufacturing sector to the gross domestic product (MUFQ), which serves as a proxy for the performance of the manufacturing sector, had a positive association of +0.066569 with the value of inflation (IFR). This is an extra point of interest that should be taken into consideration. When everything is taken into account, it can be deduced that a rise of one unit in the value of inflation (IFR) would indicate a comparable rise of around 0.07% in the value of the contribution that the manufacturing sector contributes to the gross domestic product (MUFQ). On the other hand, the p-value of 0.3765 suggests that inflation does not affect the value of the influence that the manufacturing sector has on the gross domestic product (MUFQ). Inflation factor ratio (IFR) is an abbreviation for the inflation factor ratio.

In conclusion, the value of foreign direct investment (FDI) had a negative association of -0.224633 with the contribution of the manufacturing sector to the gross domestic product (MUFQ), which is a proxy for the performance of the manufacturing sector. This relationship was found to be negative to the extent that it was negative. This leads one to the conclusion that the contribution of the manufacturing sector to the gross domestic product (MUFQ) would drop by about 0.22% for every unit increase in foreign direct investment (FDI). This conclusion may be drawn from the

information available. However, the fact that the p-value for foreign direct investment (FDI) is 0.6834 suggests that it is statistically unimportant for the contribution that the manufacturing sector contributes

to the gross domestic product (LMUFQ). This is because the p-value is a measure of the degree to which a variable is statistically significant.

Table 4: ARDL Short-run Result (Dependent Variable =LMUFQ)

Variables	Coefficient	Std. Error	t-Statistics	Prob
C	0.266747	0.033758	7.901635	0.0000
D(IRS)	-0.025559	0.009259	-1.760496	0.0063
D(IRS(-1)	-0.000596	0.008161	-0.073032	0.9426
D(IRS(-2)	-0.000256	0.009497	-0.026941	0.9788
D(LEXR)	-0.008843	0.073201	-0.120808	0.9053
D(LEXR(-1)	0.047469	0.062012	0.765480	0.4545
D(LEXR(-2)	-0.042049	0.064452	-0.652412	0.5229
D(IFR)	0.006191	0.001279	4.840447	0.0002
D(IFR(-1)	-0.000200	0.001255	-0.159774	0.8749
D(IFR(-2)	0.002960	0.001503	1.969218	0.0654
D(FDI)	-0.028022	0.020590	-1.360963	0.1913
D(FDI(-1)	-0.048771	0.024354	-2.002602	0.0614
D(FDI(-2)	-0.025574	0.019041	-1.343114	0.1969
ECM(-1)	-0.070747	0.016651	-4.248897	0.0005

Adj R² =5.098847, F-statistics = 5.098847 (0.000501), DW =2.312060

Source: Authors computation from E-view 10 Output

Taking into consideration the results of the Autoregressive Distributive Lag (ARDL) model, which are shown in Table 4 above, it is clear that the coefficient of the error correction component is not only significant but also negative. The existence of the negative sign, in other words, is sufficient to justify the significance of the sign. In light of this, it is reasonable to assert that the ECM will be effective in resolving any deviations from the equilibrium that has been established throughout the long run. According to the coefficient of the ECM, which is -0.070747, this indicates that the rate of adjustment to long-run equilibrium is 7% when any divergence from the past will be addressed in the present period. This also indicates that the rate of adjustment to long-run equilibrium is 7%. The present value of LMUFQ is said to respond slowly to changes in IRS, LEXR, IFR, and FDI, taking into account the aforementioned factors. Taking into consideration the outcomes of the ARDL short-run, it is self-evident that the constant parameter (Bo) has a positive value of +0.266747. This indicates that LMUFQ, which is a dependent variable, will increase by 0.27 per cent every

year if all of the independent variables remain the same. It has been determined that the value of the interest rate spread (IRS) coefficient is -0.025559. This indicates that the Internal Revenue Service has a negative relationship with LMUFQ in the most recent period. This outcome is consistent with the a priori anticipation. As a result of the negative finding, it can be deduced that the log value of industry manufacturing performance (LMUFQ) would decrease by 0.03 per cent for each unit rise in interest rate spread (IRS). It has been shown that there is a statistically significant positive link between the interest rate spread (IRS) and the log value of manufacturing sector performance (LMUFQ).

In addition, the log value (LEXR) of the exchange rate is negative in both the current year and the second year, coming in at -0.008843 and -0.042049 respectively.

According to this, there seems to be an inverse relationship between LMUFQ and LEXR. For every unit rise in LEXR, the LMUFQ will decrease by

between 0.04% and 0.001% in the short term. Although it is substantial, this finding is in agreement with a priori. In addition, the value of the inflation rate (IFR) is positive, coming in at +0.006191 for the period that represents the current year. There is a positive connection between LMUFQ and IFR from this evidence. In the near term, an increase of one unit in IFR will result in a 0.01% rise in LMUFQ over the same period. This conclusion is notable even though it does not conform to the a priori assumption. In conclusion, it was discovered that the log value of the performance of the manufacturing sector was shown to have a negative link with the correlation coefficient of foreign direct investment (FDI) in the current, preceding, and second-year periods. Regrettably, no link can be considered statistically significant between FDI and LMUFQ.

Further investigation into the coefficient of adjusted R² revealed that the dependent variable had a variance of 0.61%. This finding not only confirmed the existence of a link between the variables but also strengthened the degree to which the relationship exists. In addition, the significance of the whole model demonstrated that the model is important, as shown by the fact that the model's associated probability value is 0.000501, which represents the fact that the entire model is extremely significant. The results of Durbin Watson's calculation of 2.312060 demonstrated that the series does not have any issues with auto-correction. The whole of the findings indicated that there is a considerable impact that the spread of interest rates has on the performance of the manufacturing sector in Nigeria.

4.2 Diagnostic Test

Table 5: Ramsey Reset Test, Serial Correlation LM Test, and Homoscedasticity Test Results

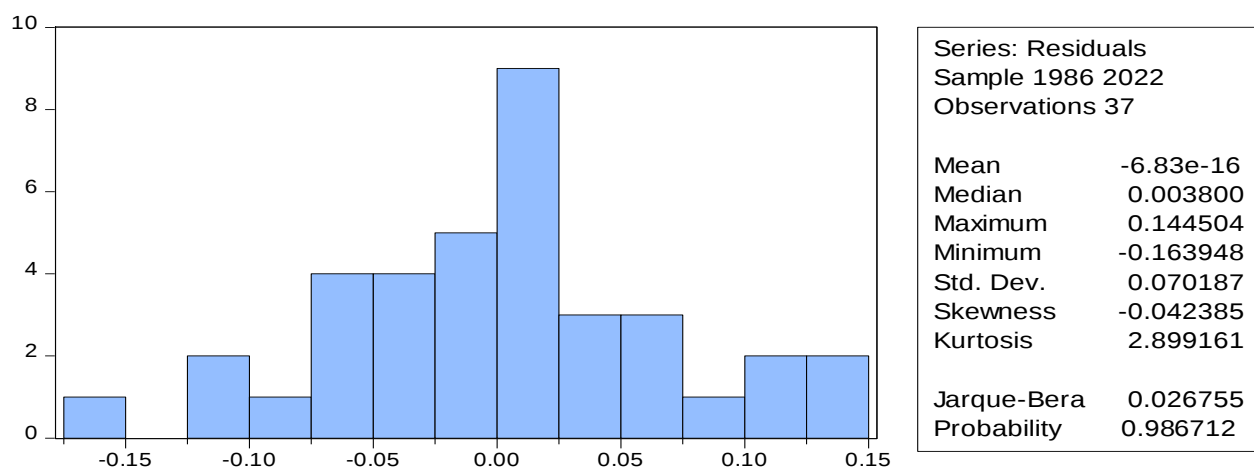
	F-Statistic	Prob.Value
Ramsey iiReset iiTest	2.637768	0.1239
Breusch-Godfrey ii Serial ii Correlation ii LM ii Test	1.335604	0.2925
Breusch-Pagan-Godfrey iiHeteroskedasticity iiTest	0.757321	0.7136

Source: Author's Computation using E-view 10

According to the findings of the diagnostic test, which are shown in Table 5 the linearity test of the Ramsey reset test revealed that the f-statistic (2.637768) with a computed p-value of 0.1239, which is more than the critical value of 0.05, indicates that the model is well represented. As a result of the fact that the p-value is higher than the crucial value of 0.05, this is the situation. Based on the findings of the investigation, it was determined that the null hypothesis was not accurate. It is an abbreviation that stands for Breusch-Godfrey Serial Correlation LM. The results of the serial or autocorrelation test indicate that the f-statistic is 1.335604, and the Chi-Square probability value is 0.2925. Both of these variables are statistically significant. It is stated in the test that both of these values are present. Because of this, the analysis reveals that the model does not include any serial correlation, with a probability value of around 29 per cent (0.2925)

being more than the threshold value of 5 per cent (0.05). This is because the model does not contain any serial correlation. As a result of the Breusch-Pagan-Godfrey test for heteroscedasticity, the f-statistic is found to be 0.757321, and the Chi-Square probability value is found to be 0.7136. Each of these values is important in its own right. Considering that the value of the probability Chi-square is more than 5% ($P > 0.05$), the result reveals that there is no indication of heteroskedasticity occurring inside the model. This is because the value of the Chi-square is greater than 5%. As a consequence of this, residuals are homoscedastic because they maintain a constant variance, which is a quality that is desired in regression analysis.

4.3 Normality Test

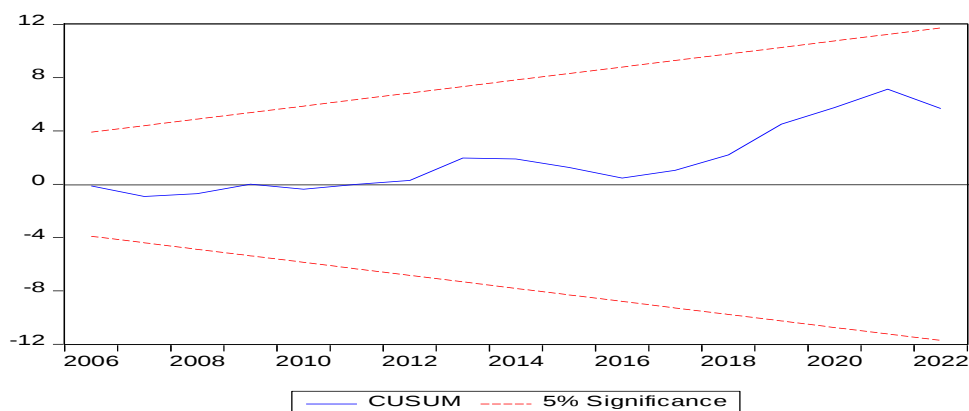


Source: Authors computation from E-view 10 Output

The results of the normality test are summarized in Figure 1. The Jarque-Bera value for the test was 0.026755, and the probability value for the test was 0.986712, which is more than the 0.05 threshold of

significance. This indicates that the residuals follow a normal distribution.

4.4 Stability Test



Source: Authors computation from E-view 10 Output

Detailed information on the model's stability is shown in Figure 2. The graph demonstrates that the model is stable, as shown by the fact that the blue line inside the graph is situated in the middle of the two red lines. Taking this into consideration, it seems that the significance level is also lower than 0.05.

5. Conclusion and Recommendations

This study's objective was to evaluate the influence that the interest rate spread has on the performance of the

industrial sector in Nigeria between the years 1985 and 2022. Specifically, the research was conducted to look at the period between 1985 and 2022. Concerning the independent factors, the interest rate spread, foreign direct investment, inflation, and currency rate were all included. On the other hand, the gross domestic product of the manufacturing sector was used as a proxy for the dependent variable.

The World Bank World Development Indicator and the Central Bank of Nigeria (CBN) Statistical Bulletin 2022 were the sources from which we obtained secondary information. There was a consultation with both of these publications. The outcomes of the research indicate that inflation and currency rates have a positive impact on the performance of manufacturing businesses and factories compared to other factors. On the other hand, it was observed that the interest rate spread had a negative but significant influence on the performance of the manufacturing sector. On the other hand, the link between foreign direct investment and the performance of the manufacturing sector was found to be negative and less significant. As a result, the conclusion of this article demonstrates the relevance of the connection between the spread of interest and the performance of the manufacturing sector.

Based on the findings, the following recommendations were made;

- i. It is recommended that the Central Bank of Nigeria (CBN) restrict deposit money banks from repeatedly raising their lending rates and instead provide the industrial sector with loans that are either single or interest-free.
- ii. The Federal Government of Nigeria and the Central Bank of Nigeria (CBN) should work together to determine the exchange rate to maintain the value of the Naira and promote the creation of employment opportunities. The manufacturing industry and other productive sectors would positively benefit from this.
- iii. The Manufacturing Association of Nigeria (MAN) need to take advantage of low-cost labour and enhance production, both of which would result in an increase in output and guarantee price stability (inflation).

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