Evaluating the Impact of Real Sector on Employment and Income Generation Capacity in Nigeria: Perception Approach

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ABSTRACT

This study examines the impact of the real sector on Nigeria's economic development, utilising data from 100 respondents representing diverse demographics and professions. A structured questionnaire assessed perceptions on the sector's role, challenges, and policy environment. Descriptive and inferential statistical tools, including chi-square tests and mean score analysis, were employed. Findings reveal widespread agreement on the sector's contribution to GDP, employment, poverty reduction, and its potential to drive sustainable development. However, significant challenges such as inadequate access to finance, policy inefficiencies, skills shortages, and corruption undermine performance. Mean scores and chi-square tests confirm the statistical significance of these concerns. The study recommends financial inclusion reforms, skills development programs, stronger anti-corruption mechanisms, and enhanced infrastructure and policy frameworks to unlock the sector's full potential. The results underscore the need for multi-stakeholder collaboration to transform Nigeria's real sector into a robust engine of inclusive economic growth.

Keywords: Real Sector, Employment, Income Generation, Nigeria, Economic Development. Government policy, export opportunities, and poverty reduction.

INTRODUCTION

The real sector plays a fundamental role in the economic growth and development of nations, particularly in developing countries like Nigeria (Magaji, Musa & Dogo, 2023). Real industry encompasses all productive activities in the economy, including agriculture, manufacturing, construction, and services that produce goods and services (Olayemi & Eze, 2020). It serves as a critical driver of employment creation, poverty reduction, and income generation. Despite Nigeria's rich resource base and economic potential, the country has struggled with persistent unemployment, income inequality, and poverty, raising concerns about the effectiveness of the real sector in driving inclusive growth (Enaberue, Musa & Magaji, 2024; Magaji, Musa & Ismail, 2025).

Over the years, the Nigerian government has implemented various policies and programs aimed at revitalising the real sector to stimulate economic diversification and reduce overdependence on crude oil exports (Musa, Salisu, & Magaji, 2024; Nazifi, Magaji, & Amase, 2022). However, the anticipated outcomes in terms of job creation and income generation have not been fully realized (Afolabi & Ezeabasili, 2019). Structural challenges, including inadequate infrastructure, limited access to credit, policy inconsistencies, and weak institutions, continue to hinder the growth of real sector activities and their contributions to national development goals.

Employment and income generation are critical indicators of economic well-being, and the real sector is expected to have a significant influence on these indicators (Musa, Ismail & Magaji, 2024). When adequately supported, sectors such as manufacturing and agriculture can absorb a large share of the labour force, improve productivity, and enhance exports (Ikenna & Ogbuabor, 2021; Magaji, Abubakar & Temitope, 2022). Nonetheless, the disconnect between real sector growth and employment levels in Nigeria suggests that growth in this sector may not be inclusive or labor-intensive enough to effectively address the employment deficit (Eke, Magaji & Ezeigwe, 2020).

Additionally, income generation from real sector activities is often limited by informality, low value addition, and underinvestment in value chains. Many Nigerians engaged in agriculture and small-scale manufacturing earn subsistence-level incomes due to low productivity and limited market access (Yusuf & Ajibola, 2020). Bridging this gap requires a comprehensive evaluation of how real sector performance translates into tangible economic benefits for the population, especially in rural and underserved communities.

This study, therefore, aims to evaluate the impact of the real sector on employment and income generation capacity in Nigeria. By analysing sectoral performance, employment trends, and income distribution, the research seeks to provide empirical evidence on the effectiveness of the real sector as a tool for sustainable development. The findings are expected to inform policymakers on strategies to enhance the real sector's capacity to drive broad-based economic growth and improve the livelihood of Nigerians.

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

Conceptual Review

Real Sector

The real sector refers to the segment of the economy that produces goods and services, encompassing agriculture, manufacturing, construction, and services, as opposed to the financial sector, which deals with financial instruments and markets (Musa, Elyaqub, & Magaji, 2024). It plays a fundamental role in driving economic growth, employment, and income generation, thereby serving as the backbone of any nation's economy. A vibrant real sector enhances productivity and contributes significantly to the gross domestic product (GDP), making it essential for sustainable development and poverty reduction (Ajakaiye & Fakiyesi, 2009; Olayemi, 2012). In developing countries like Nigeria, strengthening the real sector is crucial for economic diversification and resilience against external shocks, particularly in reducing over-reliance on oil revenues (Ajakaiye & Fakiyesi, 2009; Musa, Ismail & Magaji, 2025).

Employment

Employment refers to the engagement of individuals in productive activities that provide income and contribute to economic development (Magaji, 2000). It is a key indicator of economic performance and social stability, as it affects individual livelihoods and national output. In most economies, employment serves as a channel through which people access income, reduce poverty, and achieve improved standards of living (International Labour Organisation [ILO], 2021). In Nigeria, the issue of employment is particularly critical due to the growing youth population and limited job opportunities, which have led to high unemployment and underemployment rates (National Bureau of Statistics [NBS], 2022). Employment can be formal, involving legally recognised jobs with social protections, or informal, characterised by low wages, job insecurity, and a lack of social benefits, which is common in many developing countries, including Nigeria (Adewale & Ogunleye, 2020). Promoting gainful employment is therefore essential for inclusive growth and sustainable development (Adamu, Eke & Magaji, 2009).

Income generation

Income generation refers to the process through which individuals or households earn money through various economic activities, including employment, entrepreneurship, agriculture, and other productive ventures. It is a vital component of economic empowerment and poverty alleviation, as it determines people's capacity to meet their basic needs and improve their living standards (World Bank, 2020). In the context of developing countries like Nigeria, income generation is often constrained by factors such as limited access to credit, low productivity, inadequate infrastructure, and a high prevalence of informal sector activities (Okonkwo & Bello, 2021). Many Nigerians, particularly in rural areas, rely on subsistence farming and petty trading, which yield minimal returns and perpetuate cycles of poverty. Enhancing income-generating capacity requires targeted policies that focus on skill development, enterprise support, and inclusive economic growth (Ojo & Adebayo, 2019). Therefore, income generation is not only an economic issue but also a social one, with significant implications for equity and national development.

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Theoretical Review

Sectoral Growth Theory

Sectoral Growth Theory emphasizes the role of individual economic sectors such as agriculture, industry, and services in driving overall economic growth. The theory posits that economic development occurs through the differential growth of these sectors, with a particular focus on shifting resources and labour from low-productivity sectors (e.g., agriculture) to higher-productivity ones (industry and services) (Chenery & Syrquin, 1975). This transition enables economies to experience increased efficiency, higher income levels, and a more favorable structural composition. Sectoral growth is also crucial for identifying priority areas for investment and policy intervention, especially in developing economies seeking to accelerate growth and reduce poverty (Timmer, 2007). Understanding which sectors contribute most to growth helps policymakers design targeted strategies that foster balanced and sustainable development.

Empirical Review

Olufemi (2020) evaluated the impact of financial reforms on Nigeria's real sector, highlighting persistent challenges in accessing credit, particularly from deposit money banks, which control the majority of financial assets. Using Johansen and Juselius' (1990) cointegration and Vector Error Correction Modelling (VECM) over the 1970–2022 period, the study found that while short-run growth was influenced by liquid liabilities, trade openness, and credit to the private sector, long-run growth was driven by these along with interest rate spread and government expenditure. The findings support McKinnon and Shaw's (1973) financial liberalisation theory and emphasise the need for low-cost credit and targeted lending to foster real sector growth.

Rasheed (2021) analysed Nigeria's economic growth trends from 2009 to 2018, revealing that despite abundant oil revenues, growth remained sluggish and poverty persisted. Using Pareto analysis on sectoral GDP contributions, the study found that prioritising the service, agriculture, and industry sectors could drive about 80% of economic growth.

Hasan, Burhan, Ahmet, and Mustafa (2023) investigated the economic impacts of Islamic versus conventional banking in Türkiye from 2005 to 2023. Using time-varying causality models with Fourier functions, the study found that banking, particularly loan volumes, has a significant impact on the real sector. However, Islamic banking's impact is weaker due to its developmental stage, although it still makes meaningful contributions.

Ali, Seraj, Türüç, Tursoy, and Raza (2023) examined how banking development, economic growth, and clean energy usage promote green finance in South Asia from 2000 to 2020. Utilising RALS-EG cointegration and QARDL approaches, the study found that most variables including banking development and clean energy positively influence green finance, except inflation. The authors recommend that governments and financial institutions take policy action to scale up the adoption of green finance.

Haini (2022) studied the nonlinear relationship between banking sector development and economic growth across Chinese provinces (1990–2017). The findings suggest a threshold effect, where excessive banking development hurts private investment, thereby diminishing the growth benefits. The study calls for balanced financial sector reforms to optimise economic outcomes.

Despite extensive studies examining the relationship between financial sector development, banking reforms, and economic growth across various contexts, a significant research gap remains in understanding how these dynamics interact specifically within the framework of clean and inclusive energy financing in developing economies, such as Nigeria. While Rasheed (2021) and Olufemi (2020) provide insights into sectoral growth contributions and financial accessibility in Nigeria, they fall short of integrating environmental sustainability into their analyses. Conversely, studies by Ali et al. (2023) and Hasan et al. (2023) highlight the roles of green finance and Islamic banking in promoting sustainable development, but focus primarily on South Asia and Türkiye, leaving their applicability to the Nigerian context largely unexplored. Additionally, Haini (2022) identifies nonlinearities in banking-growth relationships in China, suggesting the need for more nuanced, context-specific analyses. Hence, there is a gap in empirical research that concurrently investigates how financial development, particularly through sustainable banking practices and green finance mechanisms, can drive real

sector growth and clean energy transition in Nigeria.

METHODOLOGY

Research Design

This study adopts a descriptive survey research design. This approach is appropriate as it facilitates an in-depth examination of how the real sector influences Nigeria's economic development. It enables the collection of comprehensive data regarding the current condition of the real sector and its role in economic progress. The descriptive survey method involves collecting data through questionnaires from a defined sample, enabling the researcher to capture existing realities and explore relationships among variables.

Area of Study

The geographical scope of this research is Nigeria, with a specific focus on evaluating the influence of the real sector on economic growth. Nigeria's economy encompasses a wide array of activities, including agriculture, manufacturing, mining, and services, providing a robust context for assessing the overall contribution of the real sector. The study spans multiple regions within the country to ensure a broad understanding of the sector's impact across different economic settings.

Population of the Study

The study population comprises individuals and organisations actively engaged in Nigeria's real sector. This includes entrepreneurs, managers, and employees working within industries such as agriculture, manufacturing, mining, and services, alongside economists and policymakers. An estimated total of 1,000 participants, representing a broad spectrum of stakeholders, constitute the target population for this research.

Sample and Sampling Technique

Sampling Unit

The sampling unit consists of individual business operators, industry professionals, employees in the real sector, economists, and policymakers.

Sampling Frame

The sampling frame is sourced from a range of professional and institutional databases linked to the real sector in Nigeria. These include industry associations, chambers of commerce, government repositories, and professional bodies.

Sample Size Determination

A total of 100 participants has been selected as the sample size for the study. This number is deemed sufficient to yield a representative overview of the real sector's impact on economic development in the country. Consideration has been given to statistical reliability and the need for valid findings in determining this figure.

Sampling Technique

The study utilizes a simple random sampling method. This technique ensures that each individual within the population has an equal probability of being selected, thereby minimizing bias and enhancing the sample's representativeness. One hundred individuals will be randomly chosen from the total population of 1,000.

Nature and Source of Data

Nature of Data

Both quantitative and qualitative data are utilized in this research. The quantitative aspect offers numerical data

reflecting the real sector's contributions to economic growth, while qualitative insights help explore deeper perspectives and influencing factors from stakeholders.

Source of Data

Data will be obtained from both primary and secondary sources.

Primary Data: Collected using structured questionnaires administered to selected respondents.

Secondary Data: Sourced from published literature, official government documents, industry reports, and academic publications related to Nigeria's real sector and economic development.

Method of Data Collection

The primary data collection tool for this study is the questionnaire. A structured format will be used to gather both quantitative and qualitative data. The instrument will be organized into sections, starting with demographic information, followed by specific questions related to the real sector's impact on economic growth.

Validity of Instrument

Validity refers to the extent to which an instrument accurately measures the intended concept. Several measures will be undertaken to ensure the questionnaire's validity:

Content Validity

Content validity will be ensured by ensuring that the questionnaire comprehensively covers all dimensions of the real sector's effects on economic development. This will be accomplished through an extensive review of related literature and expert consultation.

Construct Validity

Construct validity will be maintained by aligning questionnaire items with the study's theoretical framework and objectives. A pilot test will also be conducted with a small group to identify and correct any unclear or irrelevant items.

Reliability of Instrument

Reliability refers to the degree to which the instrument consistently produces stable results. Measures to ensure reliability include:

Internal Consistency

Cronbach's alpha will be used to evaluate the internal consistency of the questionnaire. This statistical measure determines how closely related a set of items is in measuring the same concept.

Test-Retest Reliability

Test-retest reliability will be assessed by administering the questionnaire to the same group at two different time intervals, then comparing the consistency of their responses.

Method of Data Analysis

Descriptive Statistics

Descriptive statistical tools will be applied to organize and summaries the data collected. This will include calculations of mean, median, mode, standard deviation, and frequency distribution tables.

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Inferential Statistics

Inferential statistical methods will be used to draw general conclusions and make predictions about the larger population based on sample data. The chi-square test will be employed to examine associations between categorical variables and to test research hypotheses.

Chi-Square Test

The chi-square test is a non-parametric technique used to assess the relationship between two categorical variables. This study will utilize it to evaluate the relationship between real sector activities and various indicators of economic development.

Ethical Considerations

Ethical practices are crucial for maintaining the integrity of the research process. The following ethical standards will be strictly followed:

Informed Consent

All respondents will provide informed consent prior to participation. They will be informed of the study's purpose, their rights as participants, and assured of confidentiality.

Confidentiality

Participants' information will be kept confidential. Responses will be anonymized to ensure that individuals cannot be personally identified from the data.

Voluntary Participation

Participation will be entirely voluntary. Respondents may withdraw at any point without any penalty or consequence.

Ethical Approval

Before data collection begins, the study will receive ethical clearance from the appropriate institutional review board or ethics committee.

DATA ANALYSIS AND INTERPRETATION

This section involves analysing and interpreting data gathered from the 100 respondents concerning the influence of the real sector on Nigeria's economic development. Data was collected through a structured questionnaire. The analysis includes frequency tables, percentages, and detailed interpretations for each question item.

Table 1: Summary of Demographic Characteristics of Respondents (N = 100)

Demographic Variable	Category	Frequency (n)	Percentage (%)
Age Group	18–25 years	20	20%
	26–35 years	30	30%
	36–45 years	25	25%
	46–55 years	15	15%
	56 years and above	10	10%
Gender	Male	60	60%
	Female	40	40%

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Educational Level	Secondary Education	10	10%
	Bachelor's Degree	45	45%
	Master's Degree	30	30%
	Doctorate Degree	15	15%
Professional Qualification	None	20	20%
	Professional Certification	40	40%
	Advanced Professional Certification	25	25%
	Other	15	15%
Occupation	Business Owner	20	20%
	Manager	30	30%
	Employee	25	25%
	Economic Expert	15	15%
	Policymaker	10	10%

The demographic profile presented in Table 1 provides essential context for interpreting the respondents' perspectives and experiences regarding the real sector and government policy support. The data reflect a relatively diverse sample in terms of age, education, gender, occupation, and professional qualifications, offering a balanced view across different social and economic strata.

The age distribution shows that the most significant portion of respondents falls within the 26–35 years (30%) and 36–45 years (25%) categories, indicating that most participants are in their economically active years. This age range typically represents individuals with some level of work experience, maturity, and responsibility in economic decision-making. The smaller proportion of respondents aged 46 years and above (25%) still contributes valuable insight, particularly from a policy or leadership standpoint.

The gender composition reveals that the sample is slightly skewed toward males (60%) compared to females (40%). This may reflect existing disparities in participation within the sectors under study or accessibility constraints affecting female involvement in the survey process. Nevertheless, the 40% female representation is substantial and allows for gender-sensitive analysis of trends and outcomes related to SME development and real sector contributions.

Educational Level and Professional Qualifications suggest a relatively educated and skilled respondent base. A combined 90% of the sample has attained tertiary education (Bachelor's, Master's, or Doctorate degrees), and 65% possess some form of professional certification. This high level of formal education and skills implies that the respondents are well-positioned to provide informed opinions on economic trends, business dynamics, and policy implications, thereby enhancing the credibility of their responses.

Occupational Distribution also indicates diversity, with respondents spanning key roles, including managers (30%), employees (25%), business owners (20%), economic experts (15%), and policymakers (10%). This cross-section supports a multi-perspective understanding of the real sector, blending operational experience with strategic and regulatory insight. The presence of both practitioners and policymakers enriches the findings by bridging grassroots realities with high-level policy awareness.

In summary, the demographic data suggest that the sample is well-suited to the study's objectives. The diversity in age, gender, education, and occupation provides a broad and credible foundation for assessing the effectiveness of government interventions and financial support programs in strengthening women-led SMEs and the broader real sector economy.

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Table 2: Likert Scale Responses on Real Sector Perceptions (N = 100)

No.	Survey Question	Strongly Disagree (%)	Disagree (%)	Neutral (%)	Agree (%)	Strongly Agree (%)
1	The real sector significantly contributes to Nigeria's GDP	5	10	15	50	20
2	The real sector is a key driver of economic growth in Nigeria	6	9	20	45	20
3	Employment in the real sector has increased	10	15	25	35	15
4	Real sector income impacts local communities positively	8	12	20	40	20
5	The real sector has the potential to reduce poverty	5	10	15	45	25
6	Government policies effectively support the real sector	15	25	20	30	10
7	Access to finance is a significant challenge	8	12	15	45	20
8	Infrastructure has enhanced real sector performance	5	15	25	40	15
9	Corruption hinders real sector growth	5	10	15	50	20
10	Skilled labour availability is adequate	15	25	20	30	10
11	Technological advancement is essential	5	10	15	45	25
12	Export opportunities are well-explored	10	25	20	30	15
13	The real sector contributes to government revenue	5	15	20	40	20
14	Public-private collaboration is crucial	5	10	15	45	25
15	The future of Nigeria's real sector is promising	5	10	15	45	25

Discussion and Statistical Analysis of Table: Perceptions on the Real Sector in Nigeria

1. Descriptive Analysis

Table 2 represents the frequency distribution table, presenting respondents' perceptions across 15 Likert-scale questions related to Nigeria's real sector. The responses reveal strong public sentiment that the real sector plays a critical role in economic development:

High Agreement Rates: For 10 out of 15 items, more than 60% of respondents agreed or strongly agreed. Notably, 70% affirm the sector's contribution to GDP (Q1), its potential to reduce poverty (Q5), and the need for public-private collaboration (Q14). These high agreement levels suggest widespread recognition of the real sector's socioeconomic importance.

Moderate to Low Confidence Areas: Items related to government policy support (Q6), skilled labour adequacy (Q10), and export opportunities (Q12) received mixed or less favourable responses. In these cases, only 40%–45% agreed or strongly agreed, while 40% or more either disagreed or remained neutral, highlighting perceived institutional or structural weaknesses.

Access to Finance (Q7) and Corruption (Q9) were also highly significant concerns, with 65%–70% agreement on the challenges they pose, validating existing literature on these bottlenecks in Nigeria's real sector

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development.

2. Statistical Tests and Interpretation

To further validate these findings, we apply relevant inferential statistics:

a. Chi-Square Goodness of Fit Test

Objective: Test whether the distribution of responses is uniform (i.e., no difference in perception) or skewed towards particular response categories.

Example: Q1 - Real Sector's Contribution to GDP

Response Category	Observed Frequency	Expected Frequency (if uniform, i.e., 100/5 = 20)
Strongly Disagree	5	20
Disagree	10	20
Neutral	15	20
Agree	50	20
Strongly Agree	20	20

$\chi 2 = 62.5$

Degrees of freedom (df) = 4

At $\alpha = 0.05$, the critical value ≈ is 9.49

Conclusion: Since 62.5 > 9.49, we reject the null hypothesis. The distribution is not uniform — respondents significantly agree that the real sector contributes to GDP.

Similar results were found for Q2, Q5, and Q14, confirming a significant pattern of agreement.

b. Mean Score Analysis

To evaluate overall sentiment, assign numerical values to Likert responses:

- Strongly Disagree = 1
- Disagree = 2
- Neutral = 3
- Agree = 4
- Strongly Agree = 5

Example: Q1 Mean Score

Mean= 3.70

Using this method:		
Question	Mean Score	Interpretation
Q1	3.7	Strong Agreement
Q2	3.65	Strong Agreement

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Q5	3.75	Strong Agreement
Q6	2.95	Neutral/Mixed View
Q7	3.57	Agreement (Access to finance is a challenge)
Q10	2.65	Disagreement (Skilled labour inadequate)
Q12	3.05	Neutral

Scores above 3.5 indicate consensus agreement; scores between 2.5 and 3.4 suggest ambivalence or divided opinion.

c. Principal Component Analysis (Optional, Advanced)

PCA could be used to reduce the 15 items into a few latent factors:

Factor 1: Economic Role Perception (Q1, Q2, Q5, Q13, Q15)

Factor 2: Institutional Support (Q6, Q10, Q12)

Factor 3: Constraints (Q7, Q9, Q11)

This grouping enables policymakers to target reforms within clear thematic domains.

Implications for Policy and Research

i. Respondents widely recognise the real sector as central to economic growth, poverty reduction, and government revenue.

ii. Access to finance, corruption, and skills shortages remain top challenges.

iii. Mixed views on government policy effectiveness and export readiness signal areas needing urgent institutional reform.

iv. The statistical significance of these insights validates the need for targeted interventions such as:

   a. Simplified credit schemes
   b. Investment in vocational education
   c. Improved anti-corruption mechanisms
   d. Export-oriented policy incentives

SUMMARY OF FINDINGS

Economic Importance of the Real Sector: A substantial majority of respondents (above 70%) agreed that the real sector significantly contributes to Nigeria's GDP, drives economic growth, and has the potential to reduce poverty. This highlights the sector's perceived centrality to national development. Employment and Community Impact: Half of the respondents reported that employment opportunities in the real sector have increased, and 60% believed that income from the sector has a positive impact on local communities. Challenges Identified: Major barriers highlighted include access to finance (65% agreement), corruption (70%), inadequate skilled labour (only 40% agreement on adequacy), and ineffective government policy support (40% approval), revealing structural deficiencies within the ecosystem. Infrastructure and Technology: Slightly over half of the respondents agreed that infrastructure development and technological advancement are enhancing sectoral performance. Policy and Institutional Weaknesses: Only 45% of respondents felt that export opportunities are well-explored, and government policies effectively support the sector, indicating a gap in implementation or awareness. Public–Private Collaboration: A significant 70% agreed that collaboration between public and private actors is critical to real sector growth.

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CONCLUSION

The findings establish that the real sector is widely regarded as a fundamental pillar for Nigeria's economic transformation. However, structural and institutional challenges—such as limited access to credit, inadequate skills, policy inefficiencies, and corruption—significantly hinder its potential. While there is optimism about the sector's future, actionable reforms are needed to align this potential with reality. Furthermore, the demographic diversity of the respondents supports the reliability of these findings, reflecting a broad-based awareness and diverse experiences across different segments of the economy.

RECOMMENDATIONS

1. Expand Access to Finance: Introduce targeted, low-interest credit schemes with minimal bureaucratic requirements for SMEs in the real sector.
2. Strengthen Skills Development: Reform vocational and technical education curricula to align with industry demands, focusing on real-sector competencies.
3. Policy Implementation and Awareness: Enhance awareness campaigns about government policies and incentives, ensuring transparent and inclusive dissemination across both rural and urban regions.
4. Combat Corruption and Bureaucracy: Streamline government processes through digital governance and increase accountability mechanisms in support schemes.
5. Enhance Infrastructure and Technology: Accelerate public investment in power, transport, and digital infrastructure critical to real sector operations.
6. Promote Export Readiness: Develop policies that support value-added production, international certification, and market access for local manufacturers.
7. Institutionalise Public-Private Partnerships (PPPs): Create platforms for regular dialogue and collaboration between government bodies and private sector players to co-design solutions.

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