

Assessment of the Determinants of Value Addition in the Nigerian Leather Industry

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ABSTRACT Modern leather industry in Nigeria evolved from the need to add value to hides and skin before export. This industry became popular up to early 1990's. Lots of the required materials for the use of tanning industries were imported to accomplish the task of adding value domestically to the raw hides and skin with huge implications on the nation's foreign exchange. Some delay (time lag) is however usually experienced between the time orders were placed for the tanning chemicals and equipment and the actual time of arrival. In this paper, the value added on the local raw hides and skin before export were estimated. This value was regressed against the lagged value of Nigeria's annual investment on imported tanning machine, spare parts, and chemicals. Other issues such as the exchange rate, interest rate and government policies on importation were also considered. Results showed that value added on the Nigeria's domestic raw hides and skin depended on the import level of machinery, tariffs and time lag (delay time). Time lag in the delivery of the imported equipment and materials however had the strongest effects on the level of value addition. Huge capital investment in the local tanning industry and relaxation of the nation's policies on importation will enable private operators to procure the required tanning machines to further add values to raw leather. Elimination of trade restrictions and tariffs on imported equipment/materials will again open business space for a meaningful economic transaction in the Nigerian leather industry.