

An Evaluation of Nigerian Oil Sector's Impact on the Socio-Economic Needs of Nigerians, 1999-2017

Haruna Mohammed Isma'il and Assoc. Prof. Usman Abu Tom

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Abstract: Nigeria is a critical player locally and internationally and a force to identify with, among the comity of nations due to being an oil blessed and producing nation. Petroleum production in Nigeria has raised the country profile internationally. The Nigerian oil sector is more of a blessing than a curse generating massive oil wealth in Nigeria. But the impacts of this development on the socio-economic needs of Nigerians in terms of job opportunities, improved standard of living, education, social security, improved health facilities, developed infrastructures and others on Nigeria citizens is raising a lot of concern due to the crisis in the Oil sector. The main objective of this study is to evaluate the impact of the Nigerian oil sector on the socio-economic needs of Nigerians, Data were collected through primary and secondary sources which were further analyzed through the use of the statistical table, simple percentages and graph. The Elite theory was used to garment the study. The study revealed that lack of optimum refining capacity of Nigerian refineries and petrochemical industries is responsible for lack of job creation and stronger economic linkages between the Nigerian oil sector and other sectors of the Nigerian economy. It is also revealed that lack of reasonable level of financial autonomy affects NNPC activities on health, security and infrastructural development. The study, therefore, recommends the urgent declaration of the state of emergency on the Nigerian refineries and petrochemical industries for onward job creation and stronger economic linkages between the oil sector and other sectors of the Nigerian economy. Financial autonomy is granted to NNPC as manager of the Nigerian oil sector to necessitate vibrancy of the sector to impact the needs of Nigerians. Incessant interference by political office holders in NNPC policy formation and implementation should be curbed.

Keywords: Oil sector, Socio-economy, Impact, Evaluation.

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Introduction

Undoubtedly, viewing from a global scale, the oil sector is a fortune to a lot of stakeholders in the oil business. The sector is consistently generating a large number of oil proceeds (revenue) to oil producing state governments, Oil International Companies (IOCs), Labour unions and host of others in the oil sector. Locally, a developed and flourishing oil sector is of great impact and relevance to its citizens. In Nigeria, the black crude hydrocarbon also known as crude oil was first discovered and produced in commercial quantity at 5,100 bpd in 1956 at Oloibiri currently in Bayelsa state. In 2017, the Nigerian crude oil reserve stood at 37.453 billion barrels, while proven Gas was at 199 trillion standard cubic feet (scf), with an average crude oil production of 812,967,424.632 million barrels and total of 15,446,381,068

billion barrels from 1999-2017, which placed Nigeria among the top countries with the largest reserve in the world, (Nnp@OTC, 2018).

Nigeria is a critical player internationally and a force to identify with, in the comity of nations due to being an oil blessed and producing nation. Nigeria became a member of some highly important international bodies such as African Petroleum Producers Association (APPA), World Petroleum Congress (WPC) and Organization of Petroleum Exporting Countries (OPEC), (Ekpo, 2004). But the impacts of this development on the socio-economic needs of Nigerians in terms of job opportunities, improved standard of living, education, social security, improved health facilities, developed infrastructures and others on Nigeria citizen is raising a lot of concern due to the crisis in the Oil sector.

The crises in the sector are so pervasive and looming the country, the oil and gas activities have led to series of negative externalities like fiscal dominance, environmental degradation, corruption as well as Dutch disease that is created by the various successive government through over-dependence on oil and its derivatives along with the neglect of other sectors for export budgetary revenues (income) and export earnings. Other crises are manifesting in areas of lack of pipelines management, refining, transportation, pricing and marketing. All these are incurring hardship on the people as well as the economy of the country Nigeria, (Gboyega *et al.*, 2011).

According to National Bureau of Statistics, the standard of living and economic life of the majority of Nigerians is far below standard, in 2016 about 112 million Nigerians (representing 67.1%) of the country total population of 167 million Nigerians are living below the poverty line. Most of the indices that are supposed to transform and balance the social and economic lives of Nigerians are at their lowest ebb, ranging from GDP, literacy level, transportation, employment, healthy environment, social security, health and basic infrastructures like good road, electricity and others. The oil sector under the regulation and control of NNPC which is supposed to be the major source of revenue to fund developmental programs and projects across Nigeria is failing to make the desired impact on the Nigerian people, (Stevens, 2004; Marcel, 2005).

In 2018, World Poverty clock reported that Nigeria has overtaken India to become poverty capital of the world, as the country with the most extreme poor in the world due to mismanagement of Nigeria's vast oil riches and through incompetence and corruption by various successive government. With 86.9 million Nigerians in extreme poverty representing nearly 50% of its estimated 180 million as at June 2018, (www.worldpovertyclock.org/worlddata.io). However, the above-stated problems and crisis necessitated this study. The study basically shall evaluate the Nigerian oil sector's impact on the socio-economic needs of Nigerians, with special focus on some key socio-economic indicators which include: Job creation, Stronger economic linkages with oil and gas value chain, impacts in infrastructural development, Improving and developing Nigeria health sector, Value to education and security sectors

Conceptual Clarification

Oil sector

The oil sector, in other words, is Petroleum industry or Oil industry, is the sector that engages in the global processing, exploration of crude oil, extraction, refining, transporting of petroleum products through pipelines and tankers, and marketing of petroleum products. Some of the most popular products of this sector include; fuel oil (Premium Motor Spirit,

aviation oil and others) and Gasoline. Petroleum (oil) is one of the major raw materials used for chemical products, which include pharmaceuticals, fertilizers, solvents, pesticides, synthetics, fragrance and plastics. However, the oil industry is mostly divided into Upstream, Midstream and Downstream while Midstream operations are mostly in the Downstream

Petroleum is said to be significantly relevant to other industries and as well to the maintenance of industrial civilization, its relevance has become of critical concern for many nations (The world factbook, 2014).

Socio-economic needs

According to (Ake, 1981) is simply the economy and the non-economy aspect of socio life which includes; the political system, the legal system, the ideological system, etc. they are collectively called superstructure which is all dependent on the economic system (substructure). The substructure and the superstructure are in other words called socio-economy. Socio-economic needs in this context simply mean Education, Transportation, Employment, Healthy environment, Social security, Health and basic infrastructures like good road, electricity and others, (Stevens, 2004; Marcel, 2005).

Evaluation

The word evaluation in this study simply means an appraisal, an assessment or judgment. Angello (1995), sees evaluation as an ongoing process of establishing the clear, measurable expected outcome of a phenomenon under study. For instance, it can be seen as systematically gathering, analyzing and interpreting evidence to determine how well student learning matches (faculty's) expectation and using the outcome to understand and improve learning. It is also a process of an individual's mastery of complex abilities mostly through observed performance (Alverno College Faculty, 1979).

Impact

According to the Higher Educational Funding Council for England. The Research Excellence Framework (REF) in late 2014 was faced with something new "Impact agenda" which clearly demonstrate that academic work has value outside of the academy. The Impact is about exerting influence or effect beyond the academy, on the issue that is new or problematic, (Knowles and Burrows, 2014).

Theoretical framework

The study adopted the Elite theory. Elite theory is one of the major critiques of liberal democratic theory, (Varma, 2001). The major proponents of Elite theory are Vilfredo Pareto, Gaetano Mosca, Robert Michaels, James Burnham. Joseph Schumpeter, Raymon Aron, Karl Mannheim and Giovanni Sartori, (Mahajan, 2008).

According to Abdulhameed (2008), the basic assumption of Elite theory is based on the idea that every human society contains two groups

- 1) The selected few, who are capable and therefore have the right to leadership and,
- 2) The vast masses of people who are ruled.

Elite theory opined that the political power structure in any human society determines the level of poverty distribution among the population of that society. The few ruling elites establish and legitimize an exploitative system that determines who collects the Petrodollars that flows into the country as oil proceeds or revenues, rents, royalties and bonuses.

The Elites also determines opportunities, wealth and income using the Elite powers alongside the armed security agents of the state. However, due to incompetence, greed, and lack of clear vision, the Elites (Leaders) indulges in ostentatious lifestyles, wasteful spending, corruption, and looting of the society's resources living the people's socio-economic needs unattended to, these and more enthroned poverty which is a socio-economic phenomenon. The people become poor not because they are indolent, lazy or choose to be poor but due to the socio-political and economic structure imposed on them by the Elites (Leaders).

Elitism is discriminatory, pre-emptive, and savors divine rights, the leaders unnaturally disregard mass opinion and competence, they retain power by perpetuation and propaganda which Mosca described as "Political Formula" which is the moral and legal bases used by government Elites to stay in power and promote their legitimacy.

Looking at the Nigerian oil sector, the industry is not living up to expectation in terms of impacting the socio-economic needs of Nigerians when compared to other oil sectors impact on their citizens around the world like the Brazilian, Saudi Arabian, Malaysian, Norwegian, Libyan, Indian, Algerian oil sectors and others. In Nigeria, there is a high level of political office holder's interference in policy formation and implementation of the Nigerian National Petroleum Corporation (NNPC), who is the government agency charged with the responsibility to control, regulate and enhance the activities and vibrancies of the Nigerian oil sector.

Research Method

Research Design

Both qualitative and quantitative approach was employed, the study embarked on field surveys to administer questionnaires and interviews in order to determine the general view of the respondents. The respondents are basically stakeholders in the Nigerian oil sector which include NNPC and four of its subsidiaries, Organized Labour Union bodies, International Oil Companies (IOCs) and government agencies in the oil sector, they are

Nigerian National Petroleum Corporation (NNPC), Pipeline and Product Management (PPMC) Nigerian Gas Company (NGC), National Petroleum Investment Management Service(NAPIMS), Nigerian Petroleum Development Company(NPDC), Shell Petroleum Development Company(SPDC), Exxon Mobil Producing Nigeria Limited (EMPNL), Chevron Nigeria Limited (CNL), National Union of Petroleum and Natural Gas workers (NUPENG), Petroleum and Gas Senior Staff Association of Nigeria (PENGASSAN), Ministry of Niger Delta (MND), Niger Delta Development Commission (NDDC), Department of Petroleum Resources (DPR) and Federal Ministry of Petroleum Resources (FMPR).

Sources of Data

Primary and secondary sources of data collection were both employed. The primary source includes questionnaire and interview, while the secondary source includes: Textbooks, Journals, Thesis, Scholarly publications, industry reports journals and internet materials.

Technique for Data Analysis

The study employed descriptive statistics technique method which entails simple percentage, cross tabulation, charts graphs, and textual description.

Analysis and Discussion of findings

Impact of Nigeria oil sector on the socio-economic needs of Nigerians

Table 1. Statistics

		Organizational respondents	Creating job opportunities	Stronger economic linkages with oil and gas value chain	Impacts in infrastructure development	Improving and developing health sector	Value to education and security sectors
N	Valid	274	274	273	273	272	271
	Missing	0	0	1	1	2	3
Mean		7.15	2.99	3.24	3.45	3.63	3.58
Minimum		1	1	1	1	1	1
Maximum		14	5	5	5	5	5

Source: Fieldwork, Oct 2018

The statistic table 1 showed that the total number of respondents is 274, respondents view on NNPC creating job opportunities are 274, the mean is 2.99, minimum of 1 and maximum of 5 entries in the table.

Table 2. Creating job opportunities

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	43	15.7	15.7	15.7
	Agree	65	23.7	23.7	39.4
	Undecided	36	13.1	13.1	52.6
	Disagree	111	40.5	40.5	93.1
	strongly disagree	19	6.9	6.9	100.0
	Total	274	100.0	100.0	

Source: Field work, Oct 2018

Note: SA =Strongly Agreed, A = Agreed, U = Undecided, D = Disagreed and SD = Strongly Disagreed

On job creation, respondents clearly depicted the following strongly Agreed (SA) (43, 15.7%), Agreed (65,23.7%), Undecided (36, 13.1%) while (111, 40.5%) Disagreed and (19,6.9%) Strongly disagreed, (SD). This is an obvious indication that the larger percentage of respondents disagreed that the Nigerian Oil sector is creating more job opportunities to Nigerians.

Table 3. Stronger economic linkages with oil and gas value chain

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	31	11.3	11.4	11.4
	Agree	52	19.0	19.0	30.4
	Undecided	57	20.8	20.9	51.3
	Disagree	86	31.4	31.5	82.8
	strongly disagree	47	17.2	17.2	100.0
	Total	273	99.6	100.0	
Missing	System	1	.4		
Total		274	100.0		

Source: Fieldwork, Oct 2018

On the Oil Sector providing stronger economic linkages with the petroleum value chain: Table 3 showed that out of 274 respondents, (31,11.3%) strongly agreed, agreed (52, 19.0%), undecided (57,20.8%) while (86, 31.5%) Disagreed and strongly disagreed (47, 17.2%).

However, one of the respondents did not respond but the majority of respondents disagreed and strongly disagreed that oil sector is creating stronger economic linkages with oil and gas value chain, due to lack of refining of petroleum products and its derivatives.

Table 4. Impacts in infrastructural development

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	20	7.3	7.3	7.3
	Agree	37	13.5	13.6	20.9
	Undecided	73	26.6	26.7	47.6
	Disagree	85	31.0	31.1	78.8
	strongly disagree	58	21.2	21.2	100.0
	Total	273	99.6	100.0	
Missing	System	1	.4		
Total		274	100.0		

Source: Fieldwork, Oct 2018

On infrastructural development: Table 4 revealed that out of 274 respondents, 273 responded with (1,4%) missing response, the mean is (3.45%), (73,26.6%)undecided, strongly agreed (20,7.3%), Agreed (37,13.5%) disagreed (85,31.0%)and (58,21.2%) strongly disagreed, reflecting that the larger percentage of the respondents disagreed and strongly disagreed that the Nigerian oil sector is making a tremendous impact on infrastructure development in Nigeria.

Table 5. Improving and developing Nigeria health sector

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	14	5.1	5.1	5.1
	Agree	30	10.9	11.0	16.2
	Undecided	58	21.2	21.3	37.5
	Disagree	110	40.1	40.4	77.9
	strongly disagree	60	21.9	22.1	100.0
	Total	272	99.3	100.0	
Missing	System	2	.7		
Total		274	100.0		

Source: Fieldwork, Oct 2018

From table 5, 272 respondents responded with 2 missing responses; the mean is 3.63, minimum of 1entry and maximum of 5 entries. Among the fourteen organizations, with (272) persons that responded, (5.1%) Strongly Agreed and (10.9%) Agreed that the oil sector is improving and developing Health Sector, 21.2% were undecided, while 40.1% disagreed and 21.9% strongly disagreed that the Petroleum sector is improving and developing Nigeria health sector.

Oil Sector adding value to education and security sectors

Table 6. Value to education and security sectors

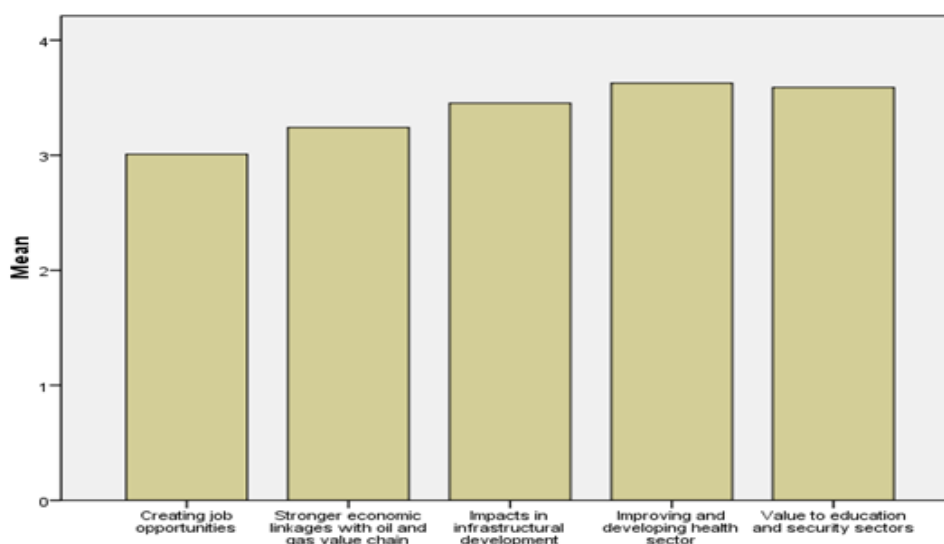
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	22	8.0	8.1	8.1
	Agree	33	12.0	12.2	20.3
	Undecided	54	19.7	19.9	40.2
	Disagree	90	32.8	33.2	73.4
	strongly disagree	72	26.3	26.6	100.0
	Total	271	98.9	100.0	
Missing	System	3	1.1		
Total		274	100.0		

Source: Fieldwork, Oct 2018

From the table 6, the total of 271 respondents from the 14 organizations responded, 1.1% didn't respond, the mean of the respondents is 3.58%, minimum of 1 entry and a maximum of 5 entries. 8.0% and 12.0% strongly agreed and agreed respectively that the Petroleum sector is adding value to education and security sectors. Undecided was 19.7%, disagree and strongly disagree were 32.8% and 26.3% respectively. This is a clear indication that the role of the Oil sector in adding value to education and security sectors is on the low level. However, from the responses analyzed above on how impactful is the Nigeria oil sector on socio-economic needs of Nigerians, the various variables of socio-economic needs in Nigeria analyzed; the health sector, education and security which are the highest have the mean of just 3.63 and 3.58 respectively.

This is an obvious indication that the oil sector has not reasonably impacted socio-economic needs of Nigerians due to the failure of NNPC in refining activities in petroleum products and its derivatives that would have created jobs and impact socio-economic needs of Nigerians, rather Nigeria create job opportunities to countries like Singapore, Europe and America where refined products are imported from in billions of dollars.

(Bar chart) Mean Distribution of Nigerian oil sector's impact on the socio-economic needs of Nigerians



Source: Fieldwork, Oct 2018

On the general response, the chart above showed that the mean for job creation is 2.99, stronger economic linkages with oil and gas value chain is 3.24, the mean for impacts in infrastructural development is 3.45, improving and developing health sector is 3.63 and the mean on value to education and security sector is 3.58. This is an indication that the oil sector is not impacting socio-economic needs meaningfully in Nigeria.

Discussion of Findings

The study analyzed five socio-economic indicators on how the Nigerian Oil sector is impacting the indicators positively. Firstly, on job creation, despite the numerous opportunities in the Petroleum industry via upstream, midstream and downstream sectors, most respondents disagreed that the sector is creating job opportunities. This suggests that they are need for further efforts from NNPC and other stake-holders in the petroleum sector on job creation. Revamping of Nigerian refineries and Petrochemical companies is key to necessitate the development of the socio-economic needs of Nigerians. Secondly, on stronger economic linkages with oil and gas value chain, the majority of respondents disagreed, meaning there are no stronger economic linkages on Oil & Gas value chain. Economic linkages triggers development and where it is lacking the reverse is the case. However, efforts should be put in place in the Nigerian petroleum industry to trigger both forward and backward linkages within the streams and other sectors of the Nigerian economy, like agriculture, Manufacturing sector and others.

Thirdly, infrastructural development: some of the respondents agreed that the Oil sector through NNPC and other stakeholders are making efforts on infrastructural development by donating building and equipment to schools, hospitals, boreholes, etc. as their (CSR) Corporate Social Responsibilities, but majority disagreed that the sector is not doing enough on infrastructural development. This is as a result of lack of the necessary autonomy required by NNPC who is the sole manager of the Nigerian oil sector for efficient financial management. It depends mostly on the national budget to fund its projects and cannot retain a reasonable percentage of its earnings. Fourthly, value to education and security sector on this indicator, majority of the respondent disagreed, meaning the petroleum sector is not really adding value to education and security sector in Nigeria when compared to its pairs globally due to the lack of financial management autonomy of the NNPC highlighted above.

Summary of Findings

The study revealed that five socio-economic indicators were analyzed and how the oil sector has impacted these indicators. The socio-economic indicators are as follows: job creation, stronger economic linkages, infrastructural development, value to education and security.

On job creation, the study pointed out that NNPC and other stakeholders in the industry are not doing enough and there is a need to intensify efforts on job creation to satisfy some aspects of socio-economic needs of Nigerians. Similarly, the study also revealed that economic linkages in the oil sector which trigger development is lacking due to lack of inadequate refining capacity of petroleum products and its derivatives. Also, the study revealed that the Nigeria oil sector has not provided the needed infrastructural development to Nigerians due to lack of necessary autonomy required by NNPC for efficient financial management since they lack the powers to retain a reasonable percentage of their earnings

Conclusion

The impact of the Nigerian oil sector on the socio-economic needs of Nigerian was evaluated in line with the objective of the study, the socio-economic indicators were assessed which

include job creation, stronger economic linkages, infrastructural development, education, and security. The study revealed that the Oil sector is doing less on the impact of socio-economic needs of Nigerian, due to the lack of optimum refining capacity of Petroleum and Petro allied products that would have aided high demand for skilled and unskilled manpower, creating job opportunities and businesses for thousands of Nigerians. The study also revealed that stronger economic linkages are lacking, no forward and backward linkages between the Nigerian oil sector and other sectors of the Nigerian economy like Agriculture, Manufacturing, Iron & steel, transportation and others as a result of lack of optimum refining capacity of petroleum and Petro allied products.

On Infrastructure, Education and Security, the oil sector needs to improve its activities in these regards. The NNPC being the manager of the Nigerian oil sector solely depends mostly on the national budget for its project execution, this is discovered as one of the factors affecting NNPC's effective contribution that would trigger the vibrancy of the Nigeria Oil Sector and as well enhance the development of socio-economic needs of Nigerians.

Recommendations

From the findings, the study recommends the following:

Firstly, for Nigerian oil sector to impact the socio-economic needs of Nigerians, there is urgent need for state of emergency to be declared on Nigerian Petrol chemical industries and refineries to enhance and trigger super-optimum production capacity that will enable job creation and develop stronger economic linkages between the oil sector and other sectors of Nigerian economy, such as Agriculture, Manufacturing, Transportation Iron & steel and others.

Secondly, some additional level of financial autonomy should be granted to NNPC being the manager of the Nigerian oil sector aside from the national budget for infrastructural, education and security development. Improved performance of NNPC will trigger the oil sector's impact on Nigerians.

Thirdly, Research and Development must be given paramount importance to usher in leading technological innovations that will enhance the development of the Nigerian oil sector.

Fourthly, efforts should be put in place to check the incessant interference of political office holders in the NNPC policy formations and implementations

Finally, the culture of accountability and transparency must be developed to enhance NNPC effective contributions to the Nigerian oil sector to trigger the development of the desired socio-economic needs of Nigerians.

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