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Effects of Fallen Oil Prices on Nigeria Economy and Development

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ABSTRACT

The study was done to expose the effects of fallen oil prices on Nigeria economy and the alternative sources of revenue open to Nigeria so as to address vital issues militating against development in Nigeria. Such issues include ever growing human population, paucity of fund that are needed for both capital and recurrent expenditure like qualitative and functional education, provision of infrastructural facilities as well as other skill acquisition and human empowerment programmes. The study used both empirical and descriptive research methods to investigate and obtain findings in the research. Data were gathered from both primary and secondary sources including government and non-governmental publications, textbooks, journals, and other national statistics records. The study found that Nigeria lost substantial income due to fallen oil price and has to fund budgets from borrowed funds and partly from recovered loot. Nigeria external debt rose from US \$10.32bn in June 2015 to US \$22.08bn in June 2018 as reported by the Debt Management Office (DMO). This means that Nigeria's external debt commitment has grown by 114.05% in three years. The study recommends that the leaders as a matter of urgency should evolve other methods of generating more funds, such as through mechanized agriculture, fostering entrepreneurialship, realistic industrialization, extraction of solid mineral in the states of the federation, development of different sources of energy generation to power the needed industries, development of tourism, as well as positive attitudinal change by the masses (the led) to protect the establishments, for the betterment of all Nigerians.

Keywords: Oil, Prices, Nigeria, Economy and Development

INTRODUCTION

The study was done to expose the alternative sources of revenue in Nigeria so as to address vital issues militating against adequate and steady development in Nigeria [1].

The study used both empirical and descriptive research methods to investigate and obtain findings in the research. Data were gathered from government and non-governmental publications, textbooks, journals and other national statistics records.

The required continuous progress and development of Nigeria is a function of the conscientious actions of the leaders and other political actors in order to positively strive and compete with the other nations of the world. This is

because Nigerian has both human and material resources to become the strongest economy in Africa and one of the leading economies in the world in the long run. This situation calls for the exploitation of natural resources at such a rate to meet the needs of the present development without compromising the ability of the future generations to meet their own needs. This is because there is possibility of exhausting the non-renewable products of petroleum deposits in the country in few decades to come. That therefore calls for alternative sources of revenue for the continuous sustainable development.

Having noted the above, it implies that diversification of revenue sources in

Nigeria is a bridge without a shunt. Therefore, we need to follow the pathway of our early nationalist where each region would concentrate in harnessing their regional resources to generate fund and create employment for socio-economic growth.

The oil should be regarded as an additional gift from nature so that we can bounce back to the era of oil boom of 1970s.

Early Nationalism

Nationalism denotes a sentiment as well as an ideology. As a sentiment, it involves an individual's patriotic attachment to his/her nation. A nationalist in this sense

The early nationalists had their key goals thus:

A united, strong and self-reliant nation

A great and dynamic economy

A just and egalitarian society

A land of bright and full of opportunities for all citizens.

A free and democratic society.

The above goals united those nationalists to 'fight' for the attainment of independence with the thought that once the foreign rule was removed, Nigeria would be land of equality where no one would be oppressed. With that notion in mind, the visionary leaders thought and planned that this nation would be able to favourably cope with the global rate of development. They had self-pride and felt they were in keen competition with other nations of the world, and should spare no leisure to catch up with the developed countries [3].

Those efforts and determination led the western and later mid-western regions to engage in serious rubber, cocoa, timber and even palm plantations. Rubber and cocoa plantations attracted many people from the east and parts of west to work in those plantations. Rubber is needed for all sorts of materials including car and aircraft tyres and other accessories.

Cocoa is used in production of many sorts of drinks like coffee. Cocoa and rubber were leading contributions to the annual national budget, under the colonial masters and early years after the independence.

accords primacy to his national interest over all other interests [2].

As an ideology, nationalism stipulates that the structures of a state or its political organizations should be founded on nationhood; that is, each nation should constitute an independent state. That implies that no nation should be kept under the domination or supremacy of any other nation.

Nationalism during the colonial politics was designed to achieve national self determination, removal of alien (foreign) rule leading to political independence for the emancipation of Nigerians.

In the east was palm produce like oil and kernel for exports. There was Michelin plantation in present Cross River state. The northern region was not left out. The groundnut pyramid, the cotton belt, hides and skin, etc. The agricultural establishments were planned to feed and meet the needs of the development projects and investments like the motor assembly industries.

Industries like Dunlop, Volkswagen, Mandilas came to Nigeria with hopes to play major roles in the industrial destination of the country which was wisely and calculatively planned by the visionary nationalists. The people worked for a self sufficient Nigeria that would be the ivory and envy of the black man because of its numerous human, natural and mineral endowments. Extraction of solid minerals like coal, cement, tin and many others were being processed [4].

There were sufficient foods, fish, vegetables and many other crops to feed the population. Those plantations, industries, mining, investments and agricultural developments provided employment for the population. The entrepreneurs of the 1940s 1950s, and 1960s made their millions through the

genuine endeavours and determined efforts.

It is important to give credit to those nationalists not only in Nigeria but other African countries like Kwame Nkrumah of Ghana (then Gold Coast), Dr. Nnamdi Azikiwe of Nigeria, Gamel Nasser of Egypt, Ben Bella of Algeria, Modibo Keita of Mali, Patrice Lumumba of the Congo, Sekou Toure of Guinea, Haile Salassie of Ethiopia, Julius Nyerere of Tanzania and many others who sacrificed their personal comfort and used state resources to ensure political independence for the countries in the African continent. They formed the Organization of African Unity (OAU), now African Union (AU), and managed it for the betterment of the members of the continent [5].

However, the attainment of political independence is not synonymous with attainment of economic independence.

This is because the imperial powers clinged and continued to manipulate the economy of their colonies and they remained neo-colonial.

Therefore economic freedom became a serious challenge for Nigerian leaders like many other African heads of state [6]. Nigeria exported raw materials to the economy of its former masters. The plantations, industries, investments, projects and other establishments lacked continuous maintenance, improvement and sustenance by the crops of younger successors or leaders. That led to deterioration of those investments and it gave rise to downward trend in the economies of Nigeria.

Further, nature blessed Nigeria with both solid and liquid minerals. Table one below shows that every state of Nigeria has at least one mineral or the other.

Table one: Mineral Resource in different states and federal capital territory of Nigeria.

ABUJA (FCT)	LEAD Zinc	JIGAWA	Granite
Marble	Salt	Barites	Clay
Tantalite	Oil and Gas		Glass sand
		KADUNA	Dimension stones
ABIA	DELTA	Sapphire	Coal
Gold	Marble	Kaoline	Bauxite
Salt	Glass sand	Gold	Oil and Gas
Limestone	Clay	Clay	
Lead/zinc	Gypsum	Serpentinite	OSUN
Oil and Gas	Lignite	Asbestos	Gold
	Iron-Ore	Amethyst	Talc
ADAMAWA	Kaolin	Kyanite	Tantalite
Kaolin	Oil and Gas	Mica (traces)	Tourmaline
Bentonite		Aquamarine	Columbite
Gypsum	EBONYI	Ruby	Granite
Magnetite	Lead/Zinc	Rock Crystal	
Barites	Gold	Tapoz	OYO
Bauxite	Salt	Fluorspar	Kaolin
	Limestone	Graphite	Marble
AKWA IBOM		(partially investigated)	Clay
Clay	EDO		Sillimanite
Limestone	Marble	Sillimanite	Talc
Lead/Zinc	Clay	(partially invest.)	Gold
Uranium (traces)	Limestone	Tourmaline	Cassiterite
Salt	Iron-Ore	Gemstone	Aquamarine
Lignite (traces)	Gypsum	Tantalite	Dolomite
Oil and Gas	Glass sand		Gemstone
	Gold	KWARA	Tantalite

ANAMBRA	Dolomite	Gold	
Lead/Zinc	Phosphate	Marble	PLATEAU
Clay	Bitumen	Iron-Ore	Emerald
Limestone	Oil and Gas	Cassiterite	Tin
Iron-Ore		Columbite	Marble
Lignite (partially invest)	EKITI	Tantalite	Granite
	Kaolin	Feldspar (traces)	Tantalite
Salt	Feldspar	Mica (traces)	Lead/Zinc
Glass sand	Tatium		Barites
Phosphate	Granite	LAGOS	Iron-Ore
Gypsum	Syenites	Glass sand	Kaolin
		Clay	Cassiterite
BAUCHI	ENUGU	Bitumen	Gold(partially investigated)
Amethysts (violet)	Coal	Sand Tar	
Gypsum	Limestone	Oil and Gas	Lead/Zinc
Lead/Zinc	Lead/Zinc		Dolomite
Uranium (partially investigated)	GOMBE	NASARAWA	Bentonite
	Gemstone	Beryl (Emerald, and Acquamarine Hellodor)	Clay
BAYELSA	Gypsum		Coal
Clay	IMO	Dolomite	Wolfram
Gypsum (partially investigated)	Lead/Zinc	Marble	Salt
Limestone	Limestone	Tourmaline	Fluoride
Uranium (partially investigated)	Lignite phosphate	Quartz Amethyst	Molybdenite
Lignite (partially investigated)	Marcasite Gypsum	(Garnet Popaz) Zircon	Gemstone Bauxite
Lead/Zinc (traces)	Salt	Tantalite	RIVERS
Oil and Gas	Oil and Gas	Cassiterite	Glass sand
		Columbite	Clay
BENUE	KANO	Illmenite	Marble
Lead/Zinc	Pyrochlore	Galena	Lignite (traces)
Limestone	Cassiterite	Iron-Ore	Oil and Gas
Iron-Ore	Copper	Barites	
Coal	Glass sand	Feldspar	SOKOTO
Clay	Gemstone	Limestone	Kaolin
Marble	Lead/Zinc	Mica	Gold
Bauxite	Tantalite	Cooking coal	Limestone
Sale		Talc	Phosphate
Barites (traces)	KATSINA	Clay	Gypsum
Gemstone	Kaolin	Salt	Silica sand
Gypsum	Marble	Chalcopyrite	Clay
			Laterite
		NIGER	Potash
	KEBBI	Gold	Flakes
BORNO	Gold	Talc	Granite
Diatomite		Lead/Zinc	Salt
Clay	KOGI	Iron-Ore	TARABA
Limestone	Iron-Ore		Kaolin

Oil and Gas (partially investigated)	Kaolin		Lead/Zinc
Gypsum	Feldspar	Phosphate	YOBE
Kaolin	Coal	Clay	Diatomite
Bentonic	Marble Dolomite	Feldspar (traces)	Soda ash (partially investigated)
CROSS RIVER	Talc	ONDO	
Limestone	Tantalite	Bitumen	
Uranium	Kaolin	Kaolin	ZAMFARA
Manganese	Limestone	Gemstone	Gold
Lignite	Gemstone Bitumen	Gypsum Feldspar	

Source: Federal Ministry of Solid Minerals, Abuja, and Tell Magazine.

What we require is crop of determined and visionary group of leaders that can use those resources to transform the nation into one of the industrialized nations. The discovery of oil which should add to the earlier plantations, industries and other investments was misconstrued to be the sole source of revenue to the nation. The earliest period of oil extraction added to the other sources of revenue and they made Nigeria's economy to grow in late 1970s and early 1980s. Instead of consolidating those revenue sources, the leaders abandoned the nationalists' plantations and industries and faced only the oil. They embarked on white elephant projects. That was the beginning of our failure. Another factor that contributed to our failure was the unhealthy realization of our differences in culture, custom, tradition, religion and language. These various linguistic, religious, cultural and tribal differences do affect our system of thought and outlook, and invariably/inevitably provide a fertile ground for dissension and disagreement within the polity.

Nigeria budget was based on price of barrel of oil. The oil as the major source of revenue was faced by the following challenges:

- Every Nigerian project, both recurrent and capital expenditure awaits oil revenue.
- The three levels of government; namely; Federal, State and Local government depended and still

depend on oil revenue from federation account.

- Disaster and emergency situations yawn for oil revenue.
- Pipeline vandalization and oil theft, as well as illegal oil bunkering did not help the situation.
- Activities and actions of militants, which include kidnapping of oil workers (mainly foreigners), blowing off of oil flow stations, attack on oil installations, etc. compounded the problem.

These nefarious activities and actions of the militants including the members of the Movement for the Emancipation of the Niger Delta (MEND) led to the loss of hundreds of lives and billions of barrels of oil.

Discovery Of Oil In Other African Countries

It has been reported that up to eight other West African countries have been proved to have oil, in addition to those of the other African nations. Some of the countries are; Guinea, Liberia, Sierra Leone, Uganda and Angola.

Further, the degree of peace and stability prevailing in those other countries with oil would attract America and other big countries to patronize their own oil.

Decrease In The Demand And Price Of Oil

The Energy Information Administration (EIA) review, show that crude oil exported from Nigeria to United States of America (USA) has been on the downward trend from January 2011, declining by 46.8

percent, from 1.02 million barrels per day (bpd) in January, 2011 to 543, 000 bpd in October, 2012.

Further, the cost of oil production has skyrocketed from US \$4 per barrel in 2002 to \$7 in 2005 and from the \$7 per barrel in 2007 to \$35 per barrel in 2012. The rise in the cost of oil production is attributed to the state of insecurity in Niger Delta region.

The price of oil which was about US \$115 per barrel in February, 2013 declined sharply to US \$101 per barrel in April, 2013. It was reported that oil price declined to US \$96 per barrel on 18th April 2013. Although, the price of oil was still above Nigeria's budget benchmark of US \$79 per barrel, it dropped to less than US \$55.

Food For Fuel Agenda

The Food-for-fuel Agenda: Food for fuel agenda is an innovation to address the possibility of exhausting the non-renewable fuel (petroleum products). The most disturbing problem termed food for fuel agenda is the diversion of food for 'untraditional' purpose i.e. conversion of food to fuel. [7] *This means that man is producing food neither to feed his fellow men nor to feed other animals but to feed vehicles.* Analysts attribute 30-50 percent of the current food crisis to the food-for-fuel programme.

Former President George Bush of USA in 2006 mandated the United States of America to replace 75 percent of imported oil with bio-fuel by 2025. In the United Kingdom, the target is to ensure that all vehicles in that country run on 5 percent renewable fuel by 2010. In order to meet the target, tons of billions of food crops hitherto consumed by humans would be converted to bio-fuel, and there has not been sufficient programme or endeavours to compensate for that alternative use.

The disturbing issue is that, the current world hunger is biting harder in countries where 'bio-fuel' is still an unfamiliar concept. Statistics show that while an average American currently spends about 10% of his household income on food; in the Third World countries like Bangladesh, Ethiopia, Nigeria and many others, the poorest of families (and these

are in the majority) spend as much as 70% of their income on food.

According to the United Nations Food and Agriculture Organization, about 850 million people today do not have sufficient food for an active healthy life. The agency also says that the average price of food worldwide has risen 80% since 2005. By Wikipedia's estimates, the world's average price of rice has risen by 217% since the start of 2006; price of wheat has risen by 136% and maize by 125%.

To add to the above, the United States has never hidden its intention to be self-sufficient in oil production and consumption in the nearest future. [8] The latest report states that the country (US) will completely halt oil importation from West African countries in about 2020.

Another mandatory issue is that oil is a depleting asset that will be dwindling with time. The crude oil reserve of Nigeria, Africa's largest producer and exporter is estimated to last for about forty years; at the current level of extraction.

The above conditions are wake-up calls for Nigeria. Also, the whole scenarios have raised fresh issues and fears that Nigeria economy and Nigerians are likely to face very difficult times, unless their leaders diversify the sources of revenue and improve the quality of governance significantly.

This can be achieved as follows:

(a) Agricultural Production: The prerequisite for improving the living conditions of people for a sustainable development is mechanized agriculture. To cope with the needed food production due to increase in world population, particularly in Africa, calls for increase agricultural potential of the continent. The measures must necessarily involve agricultural subsidies, provision and maintenance of extension and irrigation services to farmers, provision of improved species of animals and seedlings, provision of mechanized system of farming and the reformation of land tenure

system. The plantations established by our founding fathers must be reactivated to feed our people and create employment. The measure must be a transformation and expansion of productive capacity of agriculture through a commercialized system. Nigeria and the other developing nations should strive despite their problems to improve agricultural production to achieve food security for adequate nutrition as well as to raise the income of the people.

The solid mineral sector is regarded as a goldmine, but remained untapped. Example, Nigeria's Kaolin is rated as one of the highest grade in the world as its purity level is about 98 percent. Also, Nigeria's major crops like cocoa, oil palm, cotton, cashew, mangoes, soya-beans, sorghum, cassava, maize, tomatoes, onions, etc. are of very high quality.

If the production is properly planned, processed and managed, it will generate millions of jobs and attract a lot of investment opportunities [9].

Every Faculty of Agriculture in all tertiary institutions in Nigeria should be compelled to have practicing farms that can feed the members of the institution and the general public or be made to face sanctions of National Universities Commission (NUC). Other faculties should evolve ways and means of inculcating programmes that would make their graduates more dependent on their training to be self-employed.

(b) Fostering Entrepreneurship:

Entrepreneurs are people who perceive profit opportunities and are willing to take risks in exploiting them. They have drive for investment and always work to actualize such dream and are motivated to achieve business benefits: Achieving sustainable growth in terms of human entrepreneurship, will depend on the capacity of all people from all levels of Nigeria and other developing societies, to respond flexibly to the new world demand in technical, manipulation and exploitation of resources. The

entrepreneurial abilities of people can be strengthened or weakened by a prevailing environment and such conditions are made possible by government of the time. In other to ensure a sustainable growth, the Small and Medium Enterprises (SMEs) in the countries will be required to be promoted in terms of financial accessibility and removal of regulatory constraints. Included here are creating business channels and stimulation of the local markets. Well developed entrepreneurship will give rise to industrialization.

(c) Industrialization: An industrial strategy is imperative for a sustainable growth. The Western nations are described as "industrialized nations", which reveals that the key word for development is industrialization. Industrialization provides the following benefits:

- (i) Increased employment opportunities
- (ii) Less dependence on raw materials
- (iii) Provision of processed products that increase the cost of those goods which increase revenue for the nation.
- (iv) Expansion of production and consumption, thus raising the standard of living of the people.
- (v) Discouragement of rural-urban migration
- (vi) Ensures large scale manufacture and availability of the basic needs of the people instead of dependence on imported goods.
- (vii) Increases the wealth of individuals and nations.

As stated earlier, every State in Nigeria has at least one or more solid minerals that can be harnessed to produce processed products and generate employment for the people. Each State should commence the processing of its solid mineral so as to address unemployment problems and generate revenue.

(d) Tourism: Tourism is relatively new area of endeavour that

governments can invest on to generate revenue.

- (e) **Energy:** Different sources of energy generation need to be ventured into so as to have enough and uninterrupted source of power supply to drive the anticipated industrialization in the country.
- (f) **Value reorientation of the masses (the led).** This is important

because the character, sincerity, dedication, rationality, self-centeredness or otherwise of the led will contribute a lot in the conduct of affairs of our dear country. People should try to resist those conditional money inducements. Emphasis should be based on integrity, hard-work, and innovation, and less about money.

RECOMMENDATIONS

As Nigeria has known that the price of oil has fallen and that there are oil in other nations of the continent, and more could be discovered; there is need to evolve strategies to improve the economy

through mechanized agriculture, fostering entrepreneurship, industrialization, development of tourism and generation of more energy through different sources.

CONCLUSION

Nigerians have been blaming her underdevelopment on colonial domination, exploitation, as well as long military rule in the country. Nigeria has practiced democracy for about 20 uninterrupted years. Consequently, we do not have convincing reason or reasons not to leapfrog our nation into one of the developed countries of the world.

Further, Nigeria was granted independence close to sixty years. At this stage, we should reduce cost of governance and recall all the negative and abusive remarks which visionary individuals and groups made regarding our underdevelopment and correct them now. One of such comment was stated thus:

Lord Lugard in 1922 stated that black Africans lack self-control, discipline and foresight, and conspicuously deficient in the management of men, materials and public business.

So our leaders and to certain extend the followers should realize such comments and work conscientiously towards addressing them. It is believed that these issues would generate employment which create wealth and reduce poverty. Those in leadership and privileged positions should realize that it is the

Almighty God that put them in those positions, and therefore should shun corruption, selfish tendencies and ethnicity, and drive the nation to the promised land of industrialization and development.

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