***Abstract***

*This research work is an attempt to contribute to the on-going global debate or discussions on what should be appropriate petroleum pricing and economy management profile in a well determined macro-economic environment and capability of regulatory bodies (PPPRA, PPMC, DPR, PEF, and NNPC) in the administration of petroleum policies in Nigeria economy. Most striking is the pricing policy formations implemented downstream sub-sector of the petroleum industry, pricing components, removal of subsidy. In a bid to achieve these objectives, the study hopes to employ both traditional, economic, empirical, and qualitative analysis mechanisms to interpret the political economy of Nigeria's domestic petroleum products pricing reform initiative as adopted since the emergence of crude oil in Nigeria in 1950. Furthermore, the approach to this research is considered suitable as it examines related global economic production of goods and services, wealth distribution against the need for economic efficiency, and holistic overview in the sustainability and management of the economy in general. The research will contribute to petroleum economy, downstream petroleum policy guidelines, and public policy analysis fact book, especially those analysts of petroleum and gas economics management, energy pricing policy, and government reform agenda in the exportation of oil by developing countries. While trying to bridge the gaps through research and knowledge by harnessing the theories of traditional standard economic empirical approach and theories of political economy approach in order to synchronise both approaches for a better understanding of the role played by macro-economic indices in a deregulated economy in a natural resource sector that produces economic wealth. This approach will provide a unique theoretical case-study of Nigerian downstream deregulation regime under a democratic scenario. However, my argument is towards the benefits associated to a well driven liberalised economy in the long run, more so, my reservation is our inability to maintain and sustain the policy.*

***KEYWORDS:*** *Petroleum Sector, Management, Nigeria, Economy.*

## 1.0. INTRODUCTION

Nigeria is the largest economy within the continent of Africa, with a population of about 175 million situated within the West Africa sub-region and a land mass of about 950, 830 square kilometres. From the "Post oil Boom Era in 1970, Macroeconomic indices has played vital role in the determination of economy development through its components such as level of inflation, output level of agricultural produces, level of money supply, interest rate vis-à-vis exchange rates of our country's currencies etc Especially after the demise of oil boom of the '1970, the revenue allocation system remained one of the critical destabilizing factors in the Nigerian Federal experiment. The choice of oil remind tied to its status as the physical basis of Nigeria state accounting for over 80 percent of Federal Revenue and 90 percent of foreign exchange earnings. Beyond this, it feeds into struggles over control of assets and distribution of various factions of the existing rule class with revenue allocating largely implementing the allocation of oil revenue. Hence, oil remains the central focuses to politics of inter and intra-government relations. The economic crisis and transcendent of destabilizing tendencies within the system, the politics of oil determines the political economy of fiscal Federalism, confronts the power relation that underlines the authoritative allocation of resources among the various tiers of the Nigeria Federation. By the same logic, it deals with the outcomes the allocation under which it breads crises.

The Nigeria oil economy started way back, during the colonial era through its cohesive apparatus; colonial states defined Nigeria territorially and forcefully integrated the various political forms and pre capitalist modes at different stages of development into a global economic system. The Nigeria economy was therefore geared towards meeting the demand of the few internal and large western imperialist through the global capitals flight of natural resources, export of primary goods and the creation of internal market for imported finished products. Surprised to state at this point that, Nigerian state was used as a spring-board for global accumulation for the extraction and transfer of resources of the Metropolis as such; it exculpated internal differences which spared uneven growth through a vertical channel of extraction accumulation and transfer of wealth. This situation gave room for regionalism and the emergence of local elites in the area of where there are concentrations of commerce, it created cleavages amongst Multinational Corporations (MNCs).[1]

Over the years, Nigeria participation in the International Polity was as a result of her sudden strength in economic wealth, which came about due to her discovering of crude oil gains at export earnings, hence, she seems to have a voice in the global policy, the boost of her economic might gave her foreign policy a nationalist and international recognition. In order to sustain such saddle of responsibilities in the international community, at the inception of Obasanjo's reign in 1999 there was the strong desire to energised the economy, hence the introduction of various reforms agenda such as; Privatization of government enterprises, Liberalization of the economy for full private participation; unbundling of petroleum upstream and downstream subsector; and the recapitalization of financial institutions, all these are macroeconomic driven policies.

Government over the years had regulated business activities in the past by being major player in commercial operation of the economy, that is, Government have always had state fiat monopoly in the operations of various industries. In a market guided economy, price is the determinant of the performance of the entire economy with respect to level of output, inflation, and money supply; Government had subsidized price in certain sectors of the economy, notable amongst them are: Petroleum sector (downstream), power (electricity), Agriculture, Telecommunication, etc; This level of subsidy and regulation of the activities of industries in these sectors had led to in-efficiency and bureaucratic bottleneck in the business of these industries and the sectors (in so doing the economy as a whole). In the other hand, if it had been only subsidy without government control of activities of business perhaps market prices would have been determined first before a guided price is negotiated by Government: so that the difference between this prices would have only be infected into the sector (market) by government as a form of subsidy.  A market guided economy could be referred to as deregulated economy, that is, when an economy is deregulated with or without government subsidy it leads to increase in national employment and output, reductions in inflation and money supply will be kept at a level of national output level and level of inflation.

Nigeria is the 7th oil producing country among the OPEC Countries and blessed with so much natural endowment in solid minerals and agricultural produces. In year 2001-2010, the petroleum economy contributed about 90 percent to the country's GDP growth. In year 2012,

[1] Onyemaechi .J.O. (2012), Economic Implications of Petroleum Policies in Nigeria: An Overview.

the country's GDP from $14 to about $130 per barrel of crude oil. This depicts a significant upward movement in revenue generated that period. However, there was a significant increase in the annual budget expenditure from about 490 billion (Naira) to 3.376 trillion (Naira) between the period mentioned above. While Capital expenditure reared at about 40.2 percent of entire budget in year 2001 which amounted to about 350 billion naira and about 26.6 percent in previous year 2000 totalling to about 1.624 trillion naira. Giving an increased to recurrent expenditure within the period under study, due to expansion in government agencies/ministries and salaries increase. The low ratio in capital budgeting of government establishment was unable to deploy adequate funds efficiently. The reason is that, most of these government establishments are still lots of inconsistencies is their accounting procedures and transparency due to manual operation as against modern application of computerization. There are other salient issues confronting the Nigerian economy; inadequate power supply, unemployment, poor social infrastructure, and colossal corruption. Studies shows that Nigeria has a proven crude oil reserves of about 42 billion barrels (Bb), 5 billion barrels of condensates, gas proven reserves of about 187 trillion standard cubic feet (Tscf) averaging daily crude oil production to about 2.9 million barrel per day (Mbpd).[2]

The major revenue sources of petroleum income are; through royalties and petroleum profit tax (PPT), sales of petroleum products (crude oil & gas), and licensing fees from the operation of petroleum business and other incidentals. The main objective of this Tax (PPT) is accrued derivable proceeds from deals from oil and gas business such as: Exploration of crude oil, sourcing for crude oil Prospect, Development of this prospect is gotten from oil and Production and marketing (EPDP) activities in upstream sector of Petroleum industry. Before 2010, Petroleum Profits Tax contributed about 87 percent tax rate on export and about 70.10 percent domestic sales of crude oil and gas products. Previous analysis in the last decade on Nigeria economy reflects that, petroleum industry has played a significant impact on the economy by taking prominent position in socioeconomic growth of the economy.[3] This evidently reflects in Federation oil revenue Account in year 2001 to year 2010 amounting to about 40 trillion naira while non-oil was about 8.3 trillion naira, which is about 86.46 percent and respectively. The efficacy of petroleum economy activities to economic business development and growth cannot be under mined.[4]

Between 1970 and 2006, Nigeria added $400 billion fiscal revenue through crude oil products. Regrettably, the economy has suffered series of setbacks as a result of acute poverty, corruption, poor inequitable distribution of income, poor human capacity development, and underdevelopment, cross regional violence, unemployment, and lack of social amenities. Notwithstanding of her enormous crude oil and gas wealth, Nigeria has remained one of the most undeveloped economy of world. For instance, Niger Delta produces and account for about 90 percent of crude oil and gas revenue earnings of the country. Yet, characterize by so much environmental deficiency and poverty.[5] Nigeria problems could be traced to successive governments' policy inconsistency and inappropriate management of proceeds from excess petroleum revenue in developing other sectors of the economy. This has led to inefficiency in other GDP contributors; financial institutions, power sector, poor energy resource, poor infrastructures, weak political institutions, unconducive investment environment, and general systemic failure. With large deposit of fossil fuels in the country,

[2] Egbogah, (2009), ''50 Years of Oil Production in Nigeria''
[3] CBN Statistical Bulletin (2009), Annual Report and Statement of Accounts.
[4] Arabian Journal of Business and Management Review (2012), Income Revenue.
[5]Ekaette, (2009), ''The State of Petroleum Account in Nigeria.

Nigerian economy is struggling to develop, what economic ironing that in the means of plenty vast number of Nigerian lives below $1 daily.

Generally, the abundance of natural resources in a community is supposed to enhance growth and development. But, the case of oil and gas in Nigeria has aided so much economic depression and underdevelopment. Various reasons are adduce to this strange phenomenon. As situation have turned out to be contentious between interest groups, such as; government officials, stakeholders in oil and gas, and oil & gas industry in the battle of crude oil supremacy and who get what and how. Instead of focusing on development of human capital, social infrastructures, improved standard of living of the populace, real gross domestic product, domestic oil and gas utilization, sustainable alternative sources of energy and international trade liberalization via agricultural produces. From the above analysis, this study has proved so far, that there had not been adequate empirical analysis on the impact of petroleum economy management on Nigeria economy.[6] Thus, this research work is authoritative with a view to provide pragmatic paradigm shift in resolving some salient challenges confronting the economy of Nigerian.

## 1.1 Statement of the Problem

Nigeria had the problem of not being on the core of global economic activities but also of being subordinated to external economic forces, which can be controlled or minimized, the regional apparatuses and tremendous economic resources available to them were formidable additional source of economic strength. But the reverse is the current situation (symbols of weakness).

Petroleum economy management is a relationship and a determinant between human capital management, political strength being greatly influenced by economic power, wealth creation through conversion of natural resource to economic goods leading to economic growth and development. over decades, petroleum products Pricing in Nigeria is bedevilled with complex scenarios emanating from her weak socioeconomic and policy direction and corruption, creating heavy dependency on foreign consumables goods when she has the all it takes economically to chart her development path.

This research work therefore examines the criticalities, influence and salient economic challenges that have moderated the Nigerian oil and gas economy over the years. These challenges are, therefore, on how Nigerian can attain sustainable political/socioeconomic independence, promote professional industrial integration, develop a strong oil and gas business management portfolio that can trigger international trade competency, and formulate a self-sustaining economic development policy plan for the economy. Attitudinal Problems of Nigerian leaders are of grave concern in this study. That is, the problem of realism and distinguishing between the declaratory and operational aspect of Nigerian leaders, attitudes towards economic policy, yawning gaps between what an African leaders says and what he exactly does about his external and internal environments. Finally, this study also intends to review past and existing oil and gas policies in the area of products pricing with a view to identify possible bottle-necks associated with the implementation of Petroleum sector. And, to identify relevant economic indices that will facilitate the realisation of the policy.

[6] (Nwezeaku, 2010)

### 1.2. Study Objectives

The study objectives of this research are listed as follows:

- To examine the macroeconomic indices that will fast tract Nigerian petroleum economic development globally
- To be able to promote a strong, effective and mutually beneficial industry-integration and interaction professionally.
- To be able to analysis existing challenges associated to Nigerian petroleum economy management with a view to giving it a nationalist approach
- To holistically review various existing petroleum products pricing and legal framework policies over the years, changes in petroleum products pricing policy in Nigeria, an attempt to show how the periods of economic changes coincided with change in Nigerian economy.
- To examine investment opportunity in the oil and gas economy.
- And how crude oil influences Nigerians behaviour on international issues and its impact on the exercise of political power with other nations in the international polity.

### 1.3. Hypothesis

The petroleum industry is a complex organization to manage; hence it requires strategic management process to actualize macroeconomic policy processes in order to optimize business environment in areas of transportation, marketing, production, with a view to satisfying policy regulations in the economy. The government and petroleum industry with collaborating interest in the sector can only meet up with these challenges where high quality human capacity development is attained and sustained through managerial capabilities, improved technological growth, increase economic proficiency, investment business development skill, leadership skill, policy initiation and implementation. However, Nigerian petroleum economic policy began at the emergence of crude oil in 1956 to date, and it has become a function of change in the structure in Nigeria macro and micro economic activities including her political sphere in global polity. However, the hypothesis of this study is as follows:

- There is a strong indication between the changes in economic factors, policies, political structures, and managerial capabilities of the oil and gas sector.
- Nigerian political economy management adoption policy is a radical position that will strengthen industrialisation if its implementation would recognise necessary systemic changes highlighted by this study as regards structural deficiency in socioeconomic values of Nigerians.

## 2.0. OVERVIEW OF PETROLEUM ECONOMY MANAGEMENT IN NIGERIA

This study intends to holistically approach the context of study subject matter in order to provide analytical tools for future references. Generally, policy is an action-plan of corporate organization or government directed towards achieving set targets’ of an organization or a country’s economic goals with concerted effort in describing the intended objectives of the initiator and how to attain them. However, one of the cardinal focuses of economic policy is that, it is most welfaric in nature, (improve standard living). Economic policy implementation could be short or long periods depending on the nature of the policy. Furthermore, one of the benefits of economic policy is a trade-off theory which the economists calls "alternative foregone". This implies that, economic indices dictate policy priorities. Indeed, this is the essence of managerial-based strategic policy advocacy and implementation. Economic policy formulation policy entails data collection, analysis, and interpretation. The quality of data collated determines quality of policy formulation and implementation, critical to evolving policies that will impact positively on the growth and development of the economy for maximum benefit to citizenry.

The formulation of economic policies becomes critical, to identified and analysed possible challenges confronting the economy amidst sets goals over a specific period of time. The implication of this is that, it becomes an aberration of self-interest motivated economic policies, common with government functionaries and leadership style. However, this study, view economic policy from three broad perspectives of macroeconomic theories: fiscal, monetary and commercial policies. Alternatively, policy could be viewed as specific economic programmes that are formulated to be implemented over course of time. Hence, this study adopted the connectivity theory between the formulation periods of these policies and implementation stage through state of the world oil economic environment. The focuses therefore, implies corrective measure or allow internal consistency of the policies implementation; rather than, mere probing on how developments in the crude oil business could have triggered policy initiation in anticipation of the possible outcome of oil projections for economic development.[7]

The Nigerian petroleum economy is characterized by long protracted and staggered political instability, colossal sectorial corruption, poor macroeconomic management, mal-functioning and inefficiency of the four state own refineries in the country, and obsolete legal framework for the sector. The country's economy dependence largely on petroleum revenues, which provides about 20 percent GDP, about 95 percent of foreign exchange earnings and about 65 percent government revenues. While agricultural sector is nagging behind due to bloated population growth in terms of food sufficiency, forcing the country into heavy importation of food products to sustain its large population. Surprisingly, Nigeria successfully convinced the Paris Club to buy back the bulk of its debts owed to the Paris Club for a cash payment of about $12 billion (USD) in 2006.[8]

As economic recession continued to have its negative impact on the economy among its abundance wealth in fossil fuels, coupled with the inconsistence in the international crude oil prices, decline in OPEC supply benchmark, crushed the economy further downward creating heavy circles of economic deprivation that had its negative impact on about 70 percent of the population of country, while eliminating middle class in the society. Economists see this negative impact as worrisome and a fallacy to economic principles and theories. For example, natural endowment ought to be a source of wealth creation, growth and development like it is

[7] University of Ghana (2014), Economic Policy Management (EPM) Programme.

[8] Centre for Global Development, (2008).

in other countries of the world, except, Nigeria who sees theirs as "resources curse". As against it blessings, this scenario indicates strong economic deprivation, sickness, chronicle poverty, and a decline in per capita income of an average Nigerian adduce to massive corruption in the system. Nigeria's exports of crude oil and natural gas—at a time of peak prices—have enabled the country's post merchandise trade and current account surpluses in recent years. About 80 percent of Nigeria's energy revenues flows to the government, 16 percent cover operational costs, and 4 percent go to investors. However, World Bank estimated that 80 percent of energy revenues benefit only 1 percent of the population due to corruption. Furthermore, in year 2005, Paris Club eliminated Nigeria's bilateral external debt liabilities. This was a laudable achievement for the country. Under the debt elimination agreement, Nigeria paid off the balance with a portion of the proceeds from energy revenues. This scenario created serious inefficiency in the economy outside the sector. Furthermore, the underdevelopment of human capital resources was ranked 155 out of 177 of countries of world by United Nations Development Index in mid-2004.[9]

Between 2007 and 2007, there were economic reform programmes; one of such is NEEDS (National Economic Empowerment Development Strategy), whose objectives is to improve living standard of Nigerians through various economic activities, such as: job creation, better social infrastructures, improve energy supply (electricity), liberalization of all government own enterprises for private partnership, deregulation of the downstream and upstream petroleum sector with a view to strengthen the macro and microeconomic performances. The government anticipation and economic projection of NEEDS policy, was that about 7 million new jobs will be created, diversification of the economy that will subsequent trigger economic boom, energised non-energy export goods and services, create enable environment for investment opportunities, and reawaken the agricultural sector for foreign revenue derivation.[10]

In the determination for political economic empowerment, the United Nations (UN) policy support for development National Millennium Goals for Nigerian, was a program initiated to cover year 2000 to 2015. The aim was to achieve wider policy coverage, determined to attain set objectives which involve: reduction of poverty, enhancement of education profile, gender inequality, upgrading of the health sector, ecological improvement, and developing economic international integration among countries of the world. In 2004 and 2005, Nigeria made substantial progress in the above sectors including oil and gas sector through gains from crude oil export. But the country was lagging behind in extreme poverty reduction, hunger, high child mortality ratio, lack of political will to combat diseases (polio, malaria HIV/AIDS), systemic endemic corruption, and other socioeconomic vices which has hindered economic growth and development in Nigeria's business environment.

In September 2005, Nigeria, in conjunction with World Bank, recovered about $459 million of Nigerian money residing in Swiss Banks by A late military dictator, who ruled Nigeria

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[9] Michael .O. & Adeusi S.O. (2012), Impact Of Capital Market Reforms on Economic Growth: The Nigerian Experience.
[10] Abdu .J. B. (2011), National Economic Empowerment Development Strategy & Poverty Reduction In Nigeria: A Critique.

from 1993 to 1998. However, while broad-based progress has been slow, Nigeria corruption profile have become of economic concern in the international community. This ranked Nigeria as number 147 corrupt country of the world out of 180 most corrupt nations of the world in 200i by Transparency International, and subsequently and progressively declined to 108 index profile out of 175 corrupt countries of the world in 2007 respectively.[11]

## 2.1. MACROECONOMIC TREND OF OIL AND GAS ECONOMY IN NIGERIA

Nigeria has experienced laudable economic growth from post amalgamation in 1914 till date. This progress though untold, yet it is experienced in various sphere of the economy advancement in different sectors which includes; manufacturing sector, investment and foreign trade, information and communication technology, agricultural sector, transport sector, and petroleum industry. The economic prospect of Nigeria as the largest black nation of the continent, earned her the giant of Africa and also, one of the fastest developing economy in Africa with huge investment opportunities in oil and gas business, communication, agriculture, manufacturing sector, trade and commerce, solid minerals, and transportation.[12]

**Figure1.1** below represent economic trend of Gross Domestic Product (GDP), US ($) dollar exchange rate, inflationary index and per capita income of Nigerians. See figure 1.1.

| Year | Gross Domestic Product | US ($) Dollar Exchange | Inflationary Index | Percapital Income (%) |
|---|---|---|---|---|
| **1980** | 50849 | 0.78 Naria | 1.3 | 7.22 |
| **1985** | 98619 | 2.83 Naria | 3.2 | 1.87 |
| **1990** | 286374 | 8.94 Naria | 8.1 | 1.49 |
| **1995** | 1928642 | 54.36 Naria | 56 | 1.28 |
| **2000** | 4676394 | 102.24 Naria | 100 | 1.11 |
| **2005** | 14894454 | 13101 Naria | 207 | 1.96 |
| **2010** | 80185 | 120 Naria | 14.8 | 949.01 |
| **2015** | 241938 | 196.5 Naria | 8.5 | 1097.98 |

**Figure 1.1. Source:** World Bank (2015), Trading Economic.[13]

[11] The World Bank (2014), Nigeria Economic Report: Improved Economic Outlook in 2014, and Prospects for Continued Growth Look Good.
[12] Okechukwu .E. (2014), The Economic Development of Nigeria from 1914 to 2014
[13] World Bank (2015), Trading Economic.

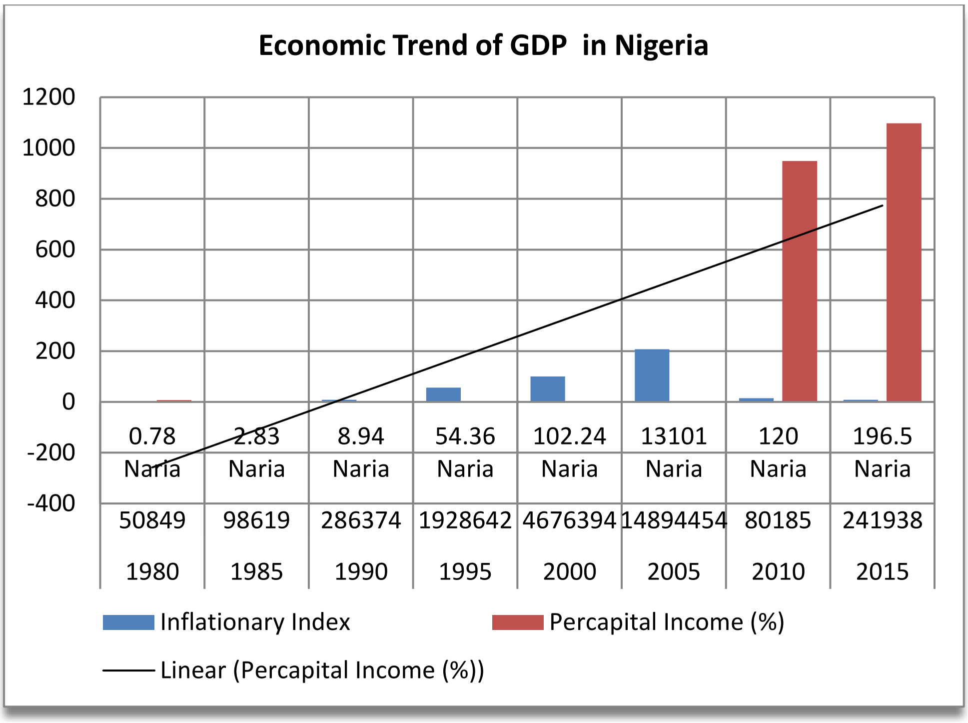


**Figure 2.1**. A line graph representing the above data in figure 1.1.

In the 1960s, Nigeria per capita Gross Domestic Product (GDP) expanded to about 132 percent and reached its peak growth with about 283 percent in 1970. But it was unsustainable and consequently declined by 66 percent in 1980. This scenario continued till 1990 when the economy was diversified, and economic growth was finally restored by 10 percent.

However, as a result of inflationary trend in 1960, per capita GDP was relatively low, reflecting about 57 percent of Nigeria population living within a benchmark of one US dollar ($1) per day. In year 2005, Nigeria gross domestic product composers are: agriculture sector contributing about 26.8 percent; industry sector contributing about 48.8 percent and services sector contributing about 24.4 percent to the economy, while the rate of inflation was estimated at about 15.6 percent. This situation infers the important of National Economic Empowerment Development Strategy (NEEDS) goal in compressing Nigeria inflationary trend to a single digit. There was a budgetary deficiency of about 5 percent in 2005 as the central government of Nigeria over shoot its budgetary provision with about US$13.56 billion against its revenues of about US$12.86 billion, thereby, creating big challenge for tax authorities to nip tax invaders, motivated by corruption and poor quality of services. In year 2007, Average wage of a Nigerian hover around $4-5 per day.[14]

In 2014, Nigeria expanded its Gross Domestic Product (GDP) by 5.95 percent in the fourth quarter, slightly down from a 6.24 percent increase in the previous period. While GDP Annual Growth Rate averaged was about 6.14 percent in 2005 and remained so till 2014, attaining a height of about 8.61 percent at the tail end of 2010 and declined to about 3.47 percent in the first quarter of 2012 The Service sector recorded about 6.16 percent in 2014 as

[14] Wikipedia, the free Encyclopedia (2015), Economy of Nigeria.

against 7.61 percent rise in in 2013, as internal trade went up by 5.33 percent, showing a slight increase of about 6.81 percent in third quarter of 2014; insurance and finance had an upward growth of about 8.15 percent and real estate activities grew by 5.98 percent respectively.

Furthermore, there was about 7.90 percent growth in the industrial sector, thereby advancing the Manufacturing Sector to about 13.49 percent, energised by textile goods, footwear and apparel; tobacco, food, cement and beverage. Power sector grew by 2.86 percent, these include; gas, electricity, steam and water supply and steam, recuperating from an initial drop of 21.56 percent in the previous quarter; quarrying and mining recovered to about 1.37 percent, while construction rise to about 12.68 percent.[15]

There was a slow growth on agriculture sector to about 3.62 percent in the third quarter of 2013. And the oil and gas sector experienced an upward movement of about 1.20 percent, as against about 3.5 percent drop in the third quarter. And daily average production of crude oil increased to about 2.16 million barrels per day (Mbpd) from 1.5 millions of barrels per day (Mbpd). This reflects a multiplier growth of about 3.90 percent to the economy, as against 8.64 percentage increase in previous period. The summary of 2014 GDP growth shows that Nigerian economy grew by 6.24 percent. But, for 2015 official statistical forecasts growth shows 5.56 percent, a likely decline in GDP an oil and gas sector is hindered by decline in production and persistent downward movement in crude oil prices at international market.

Every economy prospect is largely dependent on global curries movement. In year 2010, the dollar exchange rate was about N120 to $1. That is, one hundred and twenty naira is been exchanged for one US dollar.[16] While in 2015, dollar moved upward against the Naira to $1 to N196.5 (one hundred and ninety seven naira approximately to one dollar) official exchange rate Inflationary trend in Nigeria between 2010 and 2014 was about 14.80 percent, while in 2015 it declined to about 8.50 percent respectively. These include corn inflationary items such as energy and a non-core inflation items on food.[17]

In 2010, World Bank Development Report placed per capita income of an average Nigerian at about $2,746, crushing behind that of Cameroun and Ghana with about $10,757 and $10,747 singly. While in year 2015 per capita income stood at about $2,624, a slight downward shift as against 2010.[18]

An average American per capita income is about $511,613; the Briton per capita income in dollar is about UK, $408,743 while Sweden has Sweden $523, 423. Other countries like France per capita income is about $458, 025, Netherlands per capita income is about $432,378, Japan per capita income is about $483,242, Germany per capita income is about $476, 427, Australia $463, 082, and China $9,376 respectively. Studies show that, Nigerians who live on $1.26 per day make bulk population of about 30. 4 percent and those who lives a within the range of $2 are 84.5 percent of the population of Nigerians. This implies that, life expectancy of an average Nigerian (male) is 46 years and female is 47 years. This implies that, a quarter developed countries population lives below $1.26 per day and the multiplier impact is that, about one billions people around the globe lack portable clean water, about 1.7 billion people don’t have access to electricity, quarter of the global children are suffering

[15]Joana .T. (2014), Nigeria National Bureau of Statistics .
[16] Desgied (2010), Nigeria Exchange Rate to Dollar History.
[17] CBN (2015), Nigerian Naira Exchange Rate.
[18] Akinboade .l. A. (2010), Nigeria’s per capita income drops now $2,748.

from poverty and malnourished, while about 3 billion of global population are residing in an un-sanitized environment, making economic growth and development in developing countries almost impossible.[19]

### 2.0.1. Agriculture

Nigeria's form produces is ranks twenty fifth in the globe and one of the first ranked in Africa. The sector has suffered series of policy setbacks since the emergence of crude oil in 1956 and years of mismanagement, poor policies' direction. Despite its ordeals, the sector has continued to account for two-thirds of employment and over 26.8 percent GDP. Nigeria was a major exporter of cocoa, groundnuts (peanuts), rubber, and palm oil in 1960. But, no longer prominent in this regards. The South West were predominantly cocoa formers whose prides were in the business of exporting about 300,000 tons of cocoa for export gains 40 years ago, now struggling with about 180,000 tons of cocoa annually. Most surprising, is the dramatic decline in groundnut and palm oil production in the country. While the biggest poultry producer in Africa residing in Nigeria, has been slashed from 40 million birds annually to about 18 million in 2008. One salient challenges is import constraints. That is, large importations of processed agricultural produces, mostly poultry consumables flood the country thereby edging out domestic farmers out of business. The implication is that it enhances the foreign market economy while it cripples the domestic economic market. Fisheries business in Nigeria was equally neglected until recently in 2002 when it picked up again due to market awareness. Most disturbing, is the land tenure system in Nigeria which does not encourage long-term investment, either in technology or modern production nor does it encourage small loan scheme for rural farmers to develop. The major agricultural products in Nigeria include: cassava (tapioca), palm oil, corn, cocoa, millet, peanuts, rice, rubber, sorghum, yams and livestock production.. In 2003 the total fishes caught was about 605.8 metric tons.

The agricultural sector suffers extremely low patronage, reflecting reliance on antiquated methods. Although its overall production rose to about 28 percent in 1990, creating a window for per capita output to rise to about 8.5 percent within the same year. However, the sector has failed to keep pace with the rapid population growth in Nigeria, forcing the country to dependent heavily of imported goods and service while the domestic economic dies gradually due to lack of competitive investment. Recognizing the above challenges, Government have decided to modernize agricultural sector to measure up with global standard, by applying Global Trade Analysis Project (GTAP) framework techniques to enhance growth potential. The sector shows an indication of 1 percent technological progress in the oil and gas sector gives value benefits of about $142.72 million. Furthermore, there are much more economic benefits with several agricultural and food sectors, higher than that of oil and gas sector. The agricultural subsectors comprises of cattle, fruit and vegetables, could outstrip oil and gas sector and manufacturing sectors in terms of return on investment if its potentials are well harness and managed.[20]

[19] Ruhl .O. (2009), World Bank: National Climate Change Awareness and Global Climate Agreement Process.

[20] Ehui .S. K. Tsigas,. M. E. (2014), The Role of Agriculture in Nigeria's Economic Growth: A General Equilibrium Analysis.

### 2.0.2. Industry

In mid1970, Nigeria was ranked 44th in the globe and 3rd in Africa when it comes to industrial output. The neglect of this sector was as a result of the oil boom of 1970. This unhealthy dependence on crude oil and gas exports accounting for more than 98 percent of export earnings and about 83 percent of federal government earnings in year 2000. This scenario, created new oil wealth which concurrently led to the downward movement of other sectors of the economy. Meanwhile, there was statist economic migration into the cities and increasingly widespread of poverty, especially in rural areas, collapse of basic infrastructure and social services which has accompanied this trend since early 1980. However, in 2000, Nigeria's per capita income had plunged to about one-quarter of its mid-1970 height, below the level at independence in 1960, along with the endemic disorder of Nigeria's non-oil sectors, the economy of the ‘‘informal sector’’ continues to witness economic growth and development, estimated at about 76 percent of the total economy activities.

Nigerian informal sector contributes about $178.5 billion that is 36 percent of Gross Domestic Product (GDP) to the economy and also, contributes about 80 percent of human resources in Africa. The informal economy could be referred to as economic resources and income activities that are partially outside government control, while taxation and observation are often misunderstood to be black market conceptualization. The black market is not equal to the informal economy, rather a subset of the informal economy dealing with contraband goods or services which is significant to economic growth. In 2012, the informal sector contribution to GDP growth was estimate to about $48.2 billion, and about 90 percent of urban and rural job creation in Africa.

However, the sector is characterized by lack of structure resulting from zero employment benefits, low unsecure income, and lack of socioeconomic protection. Opinion holds that legalizing the informal sector could impact positively on economic growth. Inappropriately, some operators of informal sectors prefer to diversify their businesses interests rather than attempting to become formal for several reasons. This will energised Nigerian government to develop a framework on code of conducts that will regulate the activities of the informal businesses in order to assimilate into formal sector, which will assist government for national planning and generate revenue through taxation while ensuring the protection of its citizenry.[21]

### 2.0.3. Service

Nigerian service sector is adjudged to be ranked 63 among global services sector and ranked fifth in Africa. But, inefficient power supply and telecom density has bedevilled the growth of this sector in mid-1990. Nigerian banking sector has witnessed tremendous growth over

[21] Bismarck .R. (2014), Nigeria’s Informal Sector Accounts for $178.5bn, 35% of GDP.

the last decade as a result of various reforms initiated by Central Bank of Nigeria (CBN) to recapitalize the commercial banks in the country for efficient performance and a better service delivery to Nigerians. This situation placed most financial institutions in the security market. Other policies by the apex bank were to absorb excess cash liquidity from the economy making business activities cumbersome for commercial bank operator whom engages in currency arbitrage (round-tripping) activities, that is generally illegal banking practices. Furthermore, private sector-led economic growth was characterised by high operative cost of doing business in the country, threat of crime and insecurity, political policy instability (lack of effective due process), and non-transparent economic decisions/plans, especially within government/private participatory joint ventures. It was in this light, that addressed by the Central Bank of Nigeria (CBN) reiterated its reform initiative on monetary policy for commercial banks. Studies show that, prior to 2007, 29 percent of urban dweller did not own bank accounts, while the rural dwellers were completely ignorance of the banking activities.

Economic reforms are process policy incentives that rightly pursued by key implementation institutions. As part of economic reforms, financial sector focuses mainly on the restructuring of financial institutions and markets through several policy measures for economic sustainability and growth. One of the major objectives of this reform is create enabling playground for the backing system to lead in economic policy drive an economy development. The financial institutions contribute about 24.03 per cent to the real sector of the economy through bank loans and advances. Further studies indicates that, funding from the financial institutions in Nigeria banks accounts for about 14.4 per cent of total funds in 2006, about 13.5 per cent in 2007, 18.8 per cent in 2008 and 49.7 per cent in 2009. This implies that, real sector enterprises can attracting bank credits, and that banks satisfied an average of only 15.8 per cent of the number of loan requests made by real sector firms in 2007, and 26.3 in 2008 and 2009 respectively.[22]

From the foregoing, economic reforms ethics ensures every sector of the economy functions efficiently in order to ascertain achievement of full employment, macroeconomic goals of price stability, high economic growth and internal and external balances. Thus, banking reform in Nigeria was to integral country's reform program with a view to reposition the Nigerian economy to achieve the objective of becoming one of the 20 largest economies by the year 2020. As part of CBN reform objective, commercial banks are expected to effectively carry out its statutory responsibilities among global players of the sector. With a view to making the system more efficient and strengthening its growth potentials. The fact that business activities of banks are largely through customers' deposits, there is a need for periodic review of the statutory responsibilities of financial institution depositors in order to foster financial stability and confidence in the system. For example, the recent global financial crisis further underscored the importance for countries to embark on banking reforms on regular basis. In 2007-2009, the world economy was hit by an unprecedented financial crisis, forcing most global giant financial institutions into liquidation and causing global economic recession. The bandwagon impact took its toes on Nigerian economy, subsequently led to a decline of investment portfolio in Nigerian Security Market to about 71 per cent in year 2008- 2009. The resultant impact was strongly felt by the indigenous banks also, recorded huge financial casualty, as a result of their exposure to capital market and downstream oil and gas business. This recession was addressed by Central Bank of Nigeria

[22] Cajetan M. Anyanwu (2012), An Overview of Current Banking Sector Reforms and the Real Sector of the Nigerian.

through recapitalization and liquidity injections. Afterword, Management of these rescued banks prosecution and confidence and sanity were restored to the sector.[23]

### 2.0.4. Human Capital Development

The economic development of any growing economy depends on its human capital sufficiency and development. There are different viewpoints to economic growth, that is, when human capital is increased, control of material assets, improve on their intellectual capabilities and ideology, and being able to have basic necessities of life like clothing, food, employment, shelter, etc. hence, some school of thoughts sees economic growth theory as improvement in standard of living of the peoples expanding their desires, dignity and freedom. Nigeria started recognizing human capacity development since pre-colonial and post-colonial eras, 1956-1961 through Development plan, with the objective to grow the economy. The importance of knowledge in this regard is to attract intellectualism development that will impact on the work force of the country that will reflect on the GDP growth of the economy.

In year 2005 Nigeria human resources was estimated to about 57.2 million, with an unemployment of about 10.8 percent in 2003; unemployment ratio in the urban area was about 12.3 percent, exceeding the rural unemployment ratio with about 7.4 percent. Studies show available information from 1999 to 2015 employment ratio sectorally: agricultural sector engaged about 70 percent employees, service sector having about 20 percent, and 10 percent in industry sector. Since 1999 the Nigerian Labour Congress (NLC), a union umbrella organization, has called six general strikes to protest against ill-human treatment meted on Nigerian workers by the employers and hard economic policies such as: poor minimum wage for worker, increase in domestic fuel pump price, high cost of living, etc. However, in 2005 the government legislated, ending the NLC’s monopoly over Union by increase in the minimum wage for public workers from N7, 000.00 to N18, 000.00, whittled away by chronic inflationary trend to about US$42.80 per month.[24]

## 2.1. ECONOMIC ANALYSIS OF PETROLEUM PRODUCTS PRICES FROM 1970 TO 2015

In the global economy, petroleum products pricing has remain strong determining factors for International socio-political negotiation; hence, prices remain a major determinant of both local and the International petroleum market. Realistically, in a macroeconomic environment, price is a function of National Income (NI) index via Gross Domestic Products (GDP). The elementary economics belief that good that does not have price value is not an economic good. Thus, as long as Nigeria economy is monoculture in nature (80 percent crude oil and gas dependent economy), its revenue drive and earning will be subjected to global oil price economics, hitherto, the function of prices of petroleum products a necessary for internal financial policy plan for the country.[25]

[23] Sanusi .L.S. (2012), Banking Reform And Its Impact on the Nigerian Economy.
[24] Matthew, A. O. (2014), Human capital investment and economic growth in Nigeria: the role of education and health.
[25] International Association for Energy Economics (IAEE) (2015), Economic of Crude Oil and Natural Gas.

Nigeria crude oil reserves are about 38 billion barrels (Bb) while that of natural gas reserves are about 178.7 trillion standard cubic feet (Tscft$^3$). Nigeria as Member of OPEC, in 2001 averaged her crude oil production to about 2.2 million barrels (350,000 $m^3$) per day. The country exports one of the best of crude oil around the world. These are: Forcados' crude oil, Bonny Light crude oil, Qua Ibo crude oil and Brass River crude oil. Poor corporate relations with indigenous communities, vandalism of oil infrastructure, severe ecological damage, and personnel insecurity challenges in the Niger Delta oil-producing region of the country continued to traumatise the economic growth of the country. In the absence of government programs, the major oil multinational companies have launched series of social responsive community development programs with a view the social morals of the people of that region. This gestures by these MOCs (multinational oil companies), gave rise to the creation of the Niger Delta Development Commission (NDDC), as an economic catalyse for regional integration and development.[26]

The U.S, China and United Kingdom are Nigeria's largest consumer of crude oil, accounting for about 50 percent of the country's total oil exports trade; providing about 10 percent of overall U.S. oil imports and ranks as the fifth-largest source for U.S. imported oil, alongside with United Kingdom and China. A large portion of U.S. exports goods enter the country outside Nigerian Government's official statistics, due to avoidance of excessive tariffs. In May 2001, Nigerian government established a 100 percent cargo inspection regime for all imports with stringent enforcement, eliminating gradually existing import barriers resulting from smuggling and high tariffs. Furthermore, government has put other measures in place to encourage prospective investment. The U.S. stock investment in Nigerian energy sector is about $8 billion. A significant exports of liquefied natural gas started late in1999 with a view to expand economic growth and put stop gas flaring 2020.

Oil economic dependency attracts and generates great wealth for nations with such natural endowment through government contracts, royalty, taxes and trading benefits that neglect other economic sectors. 80 percent of government expenditures is recycled into foreign exchange through import parity of consumable goods, resulting from a chronically overvalued Naira, coupled with excessively high domestic production costs due to high turn around maintenance cost (RUM) of local refineries, erratic power supply and fuel scarcity that have pushed down industrial capacity utilization to less than 40 percent. This situation, forced most indigenous production companies into liquidation, while the few standing were under the platform of relatively low labour costs of about 10 to15 percent, as domestic manufacturers: pharmaceuticals and textiles lost their ability to compete in traditional regional markets due high production cost. The bandwagon effect was the over bounden of foreign debt from Paris Club amounting to about $28.5 billion, about 78 percent. A large chunk of this debt was with interest and arrears paid as government seeks ways to keep the sector afloat.

Furthermore, government borrowed the sum of $860m (N134.19bn) in the past year from external source, and subsequently re-borrowed additional sum of $6.55bn at the tail end of 2012, as against $5.68bn in the last quarter of 2011, amounting to an increase of 15.19 per cent respectively. Nigeria external debt owed multilateral, and World Bank Group, was estimated to about 80.9 per cent reflect liability at the end of 2012, while 11.68 per cent was owed to non-Paris Group of creditors and 7.70 per cent to other creditors. However, the debt profile on Gross Domestic Product (GDP) ratio as of mid-2012 stood at 18.26 per cent and hit

[26] The NDDC Mandate (2000), Objective of the Commission.

19 per cent in the last quarters of 2012. Worthy to note, it is debt-to-GDP ratio profile of an economy that determines growth and development of that economy, while the amount of national debt of a country reflects percentage of its GDP.[27]

In year 2000 Nigeria signed a one-year Stand-by Arrangement (SBA), on debt rescheduling agreement between Nigeria and its Paris Club creditors. By August 2001, despite continued dialogue with the IMF, Nigeria was unable to implement many of the SBA conditions leading to an extension of SBA by few months in order to seek alternative conditions for a new agreement. Most external debt sourced, has inherent conditionality. For instance, the World Bank classifies its debt relief packages to short term and long-term debt relief base on strong and sustained economic reforms that must be co-supervised by the creditor and lender with a view to attain goal objectives.

In a bid by government to expand its fiscal policies of public sector experienced in 2001, government decided to solve the problem of higher inflationary trend in the economy, by implementing a stronger monetary policies through the apex bank of Nigeria (CBN) by under-spending of budgetary provisions. The impact of this action stabilized Naira to the dollar. The combination of CBN's efforts to raise the value of Naira and excess liquidity in government spending, discounted currency by 20 percent on the parallel (nonofficial) market. One of the objectives of Stand-by Arrangement is to bridge the gap between the official exchange rate and parallel market exchange rates, while allowing Inter Bank Foreign Exchange Market (IFEM) indices to close ranks on official rate, under IBFEM, financial institutions, oil and gas companies, and the CBN can buy and sell their foreign currency at government influenced rates, allowing the informal economy to access foreign exchange through the parallel market. This implies that investors can hold domiciliary accounts in private banks, while account holders have unfettered access to the account.

Furthermore, increased expenditure by government has led to upward pressure on prices, thereby igniting Inflationary rate which had earlier declined by 1 percent in mid-2000 rose to about 14.7 percent at the end of same year, it increased further to about 18.8 percent in August 2001. In 2002, an increase in world oil prices triggered government revenue to about $18 billion, that is, double the accrued earnings of 1999. This boom, reflected on the demand placed forward by State and local governmental sharing formula of the “windfall", creating a tug-of-war between the three tiers of government.

Nigeria economy is mono (petroleum economy), where large percentage of earnings comes from crude oil earning. Thus, the domestic economy indices decide its general economic wellbeing. Hence, this research reviews the petroleum economic management vis-a-vise impact changes of products pricing on domestic performance of the economy.[28] See Figure 3.1

**ECONOMIC HISTORY OF PETROLEUM PRODUCTS PUMP PRICING IN NIGERIA 1966-2015**

| PERIOD | PUMP PREICE IN LITRE | ADMINISTRATOR | PERCENTAGE |
|---|---|---|---|

[27] Ademola .A. (2013), Nigeria’s external debt rose to $6.53bn in 2012.

[28] Central Bank of Nigeria (2014), The Conduct of Monetary Policy 2008-2014

| | (N/K) | | INCREASE (%) |
|---|---|---|---|
| Jan. 1966-Sept. 1978 | 8.5 | Gen Aguiyi Ironsi, Gen. Yakubu Gowon, Gen. Murtala | 40 |
| | | Gowon, Gen M. Murutala | |
| Oct 1st, 1978 | 15 | Gen. Obasanjo | 73.9 |
| April 20th, 1982 | 0.2 | Alh. Shehu Shagari | 13 |
| March 31st, 1986 | 39.5 | Gen. Ibrahim Babaginda | 97.5 |
| Apr 10th, 1988 | 42.5 | Gen. Ibrahim Babaginda | 6 |
| Jan.1st, 1989 | 42 kobo for commercial | | |
| | vehicles and 60 kobo for | | |
| | private vehicles | Gen. Ibrahim Babaginda | 43 |
| Dec. 19th, 1989 | 60 kobo | Gen. Ibrahim Babaginda | 43 |
| Marc h 16th, 1991 | 70 kobo | Gen. Ibrahim Babaginda | 16.6 |
| Nov. 8th, 1993 | 5 | Chief Earnest Shonekon | 61.4 |
| Nov. 22nd,1993 | 3.25 | Gen. Sani Abacha | -35 |
| Oct. 2nd, 1994 | 15 | Gen. Sani Abacha | 361 |
| Nov. 4th, 1994 | 11 | Gen. Sani Abacha | -26 |
| Dec. 20th, 1998 | 25 | Gen. A. Abubakar | 127 |
| June 6th, 1999 | 20 | Gen. A. Abubakar | -20 |
| June 1st, 2000 | 30 | Chief Olusegun Obasanjo | 50 |
| June 8th, 2000 | 25 | Chief Olusegun Obasanjo | -16.66 |
| June 13th, 2000 | 22 | Chief Olusegun Obasanjo | -12 |
| Jan. 1st, 2002 | 26 | Chief Olusegun Obasanjo | 18.2 |
| June 12th, 2003 | 40 | Chief Olusegun Obasanjo | 53 |
| July 9th, 2003 | 34 | Chief Olusegun Obasanjo | -15 |
| Oct. 1st, 2003 | 42 | Chief Olusegun Obasanjo | 23.5 |
| May 29th, 2004. | 49.9 | Chief Olusegun Obasanjo | 18.81 |
| Dec. 21st, 2004. | 48 | Chief Olusegun Obasanjo | -3.81 |
| Jan 8th, 2005 | 50.5 | Chief Olusegun Obasanjo | 5.2 |
| Aug. 10th, 2005 | 65 | Chief Olusegun Obasanjo | 28.71 |
| May 2th, 2006 | 65 | Chief Olusegun Obasanjo | 28.71 |
| July 9th,207 | 75 | Chief Olusegun Obasanjo | 28.71 |
| APRIL 10th, 2008 | 65 | Umuru Yaradua | 28.71 |
| Sept. 20th 2009 | 65 | Umuru Yaradua | 28.71 |
| March 10th, 2010 | 65 | Good luck Jonathan | 28.71 |
| 2011 | 65 | Good luck Jonathan | 28.71 |
| Jan. 1st,2012 | 95 | Good luck Jonathan | 90 |
| 2013 | 95 | Good luck Jonathan | 90 |
| 2014 | 95 | Good luck Jonathan | 90 |
| Feb. 2015 | 87 | Good luck Jonathan | 80 |

**Figure 3.1. Source:** The Nation Newspaper (2010) and The Punch Newspaper (2007)

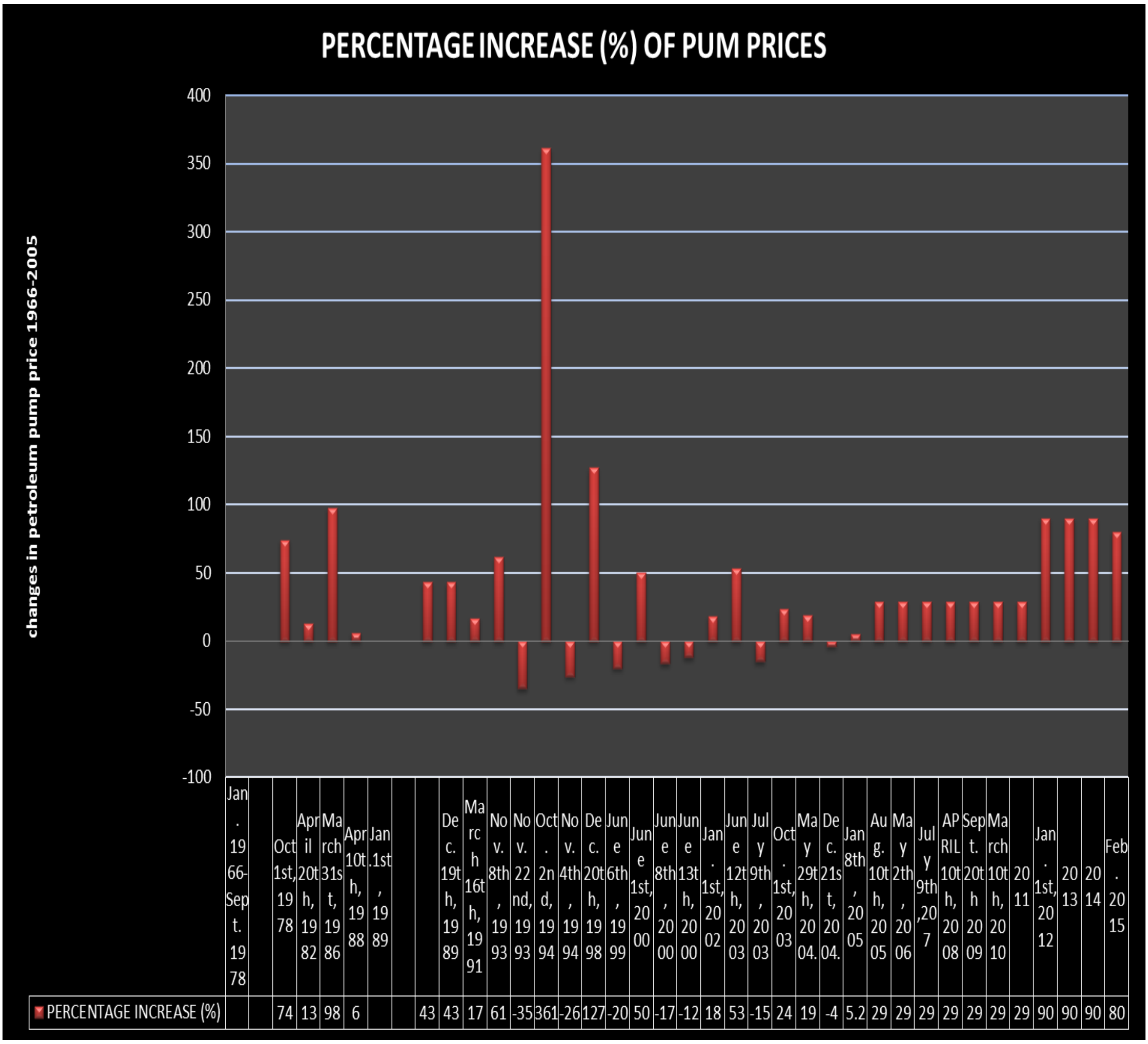


**Figure 4.1**. Represent a pie chart on the above figure 3.1.sourced.

Petroleum economy management remains a key factor in oil and gas price fundamentals in Nigerian economics indices. In figure 3.1, it is evidently clear that petroleum premium motor spirit (PMS) pricing has greater influence in the daily economic activities of the country's economy policy direction. Hence, it implies a mono-economy. The goal of the Nigerian government is to dismantle the natural monopolistic structure and open up the economy to private participants for competitive entrepreneurial business activities that will strengthen privatization policy in oil and gas sector, where price control is determine by market fundamentals. These will energies economic growth and regulate prices and subsequently reduce the cost of government spending to subsidized petroleum pump prices with about $1.5 Trillion annually. This resource can be used to free up other socioeconomic needs of Nigerians, reduction in refining costs of products and boost foreign direct investment in the economy.

Every policy has its negative and positive impact on economic parameters, depending on the desirability of such policy in the economy; mode and extent of implementation of such policy on the general economy well-being including its populace. The structure of Nigerian economy is such that, each policy have gaps and limited sectorial coverage, that is, some aspect of the policy disregards socioeconomic services like education and health, while the policy scope deals only with the implementation of reforms on system structure or relied on obsolete data for analyses and implementation. This scenario empowers bureaucracy and time delay in the execution of policy.

Some of the salient challenges of Nigerian economy structure are as follows:

- Nigeria has the largest geographical unit in West Africa, with an expanse land of about 923,768 square kilometres, population of 170 million of which 50 percent are below 15 years of age (3 percent within the aged brackets of 65 years and above). Giving a dependency ratio of 1to1 as against 1to3 or less than what obtains in developed economies.

- In post-independence economy in 1960, agriculture dominates the Gross Domestic Product (GDP), yet, its current contribution has relatively declined over years to a ratio of 65.2 percent in 1960 to 28.40 percent in 2002, and moved up by 40 percent in 2014 and 2015 respectively.

- Although the Manufacturing sector had an edge in the early post-independence year, but its GDP contribution declined sharply in the 1990's, from 6.8 percent in 1960 to 15.5 percent in 2014.

- Crude petroleum sector became formidable contributing to GDP from 0.3 percent in 1960 to 40.6 percent in 2002 and 70 percent in 2012 respectively.

- In 1989, Nigeria experienced increasing inequalities in inter-personal incomes and which created a huge gap between urban and rural income earners. But, this scenario has been improved upon in recent time.

- Moribund financial institution in 1990, and was re-enforced through government regulation reforms initiatives, giving operators assurance of sound of financial system and opportunity to invest.

- The shift between 1970 and 1996 show that these two gained (Raw materials and consumables) over capital goods dominate imports. This further entrenched Nigerian economy as import dependent and reliant on crude petroleum as the major export item.

The interaction between the State and market economy (fundamentals) is a function determined by the nature of socio-economic and political policy of such State, hence in recent times, it is quite difficult to separate economic theories from Political Ideologies. Therefore, for centuries the debate in the field of political economy has focus on the nature and consequences for clash between the State and Market. Liberalist economic theory argued for a free market and minimal state intervention; individual equality that guarantee the liberty for smooth free market operation economy. However, the rationale for a market system is to increases economic efficiency, and growth that will improve human per capital income of the individual. Petroleum economy can be in a state of disequilibrium as a result of salient external factors: vandalism of sectionalism, religion, culture and political preferences and regional conflicts, this situation, puts operators in and the market in a volatile business environment, leading to pursuit of individualism and social struggle for profit efficiency as against general development of the economy.[29]
The historical analysis of changes in petroleum product (PMS) pricing over decades in Nigeria economy, clearly connote policy instability in the system. Hence, the Nigerian oil and gas downstream regulator, Petroleum Products Pricing Regulatory Agency (PPPRA) introduced a uniform petroleum product pricing template for premium motor spirit at retail outlets across the country. The template has the following components:

- **Cost of Crude ($/Bbl)**
- Landing Cost of Products.
- Margins for the Marketers, Dealers, and Transporters.
- Jetty-Depot Through-put.
- Conversion Rate (Mt to Litres)
- Exchange Rate (Naira to Dollar)
- Other charges and Taxes.

Furthermore, Nigeria is grapple with its decaying infrastructure and a poor regulatory environment, targeting positive attributes that will ensure and create investment opportunity, that will energized regional and international market integration. There is a growing consensus, that foreign investment is essential to realizing Nigeria's potential. European investments are increasing, especially since Belgian consultancy companies interested exploring Nigerian huge market potentials investing in the economy.[30]

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[29] Jhingan .M.L. (2008), Monetary Economics
[30] Petroleum Products Pricing Regulatory Agency (2015), Pricing Template-PMS.

## 3.0. THEORITICAL FRAMWORK

The petroleum sector requires advance technological base processes to optimize oil and gas production through the conversion of hydrocarbons into valuable economic and market potentials that will satisfy the severest environmental regulations. Government strong interest in petroleum industry can only meet these challenges through high-quality personnel who have the necessary technical, economic, business, and managerial, policy and leadership skills.[31]

Leading economic theories of development have advocated that there is a substantial relationship that exists between economic growth and national income. That is, when earnings are reinvested in an economy, it empowers growth and development of that economy. For example, Rosow (1961), Domar (1946) and Harrod (1939) five stages of growth is directly proportionate of investment capital base income and savings. This implies that, revenue earnings from oil and gas resources have direct positive impact on economic development. But other school of thought think order wise, that oil and gas revenue has a negative impact on the Nigeria economy as proceeds are own and control by elites of the society, used as oppressive mechanism and control of state's apparatus, thereby hinders growth and economic development, Easton (1965). Note that, increase in disposable income does not automatically energised economy growth, if not equitably distributed can lead to inflation and underdevelopment.

The judicious application of natural resources revenue in other countries has led to fast economic growth compare to Nigeria situation. For instance, in mid-1970s, Malaysian came to Nigeria to purchase few quantities of palm-kanel seeds. Years later, same raw agricultural products were now exported to Nigeria as finished goods (palm oil). An overview of some developing countries that had their economic growth base on natural resource earnings to developed their economy are: Venezuela (crude oil), Indonesia (palm oil), Venezuela, Malaysia, United Arab Emirate (commerce & crude oil), Singapore (crude oil) just to mention but a few. In the same vein, that an increase in income does not necessarily transform to economic growth, this is obvious from studies that about 30 percent of countries whose revenue source is oil and gas exports are like to always have internal conflict or social war on how share the wealth of their nations among few bourgeoisies, compare to countries without such natural endowment. From the above theories, it is apparently posited that petroleum revenue earnings can cause an energise development or retard economic growth of a nation, dependent on model of policy, theory and approach of implementation.[32]

[31] Kathleen .M. (2014), Petroleum Economics and Management.
[32] Ogbonna .G.N. & Appah .E. (2012), Petroleum Income and Nigerian Economy: Empirical Evidence.

### 3.0.1. Crude Oil Revenue

The inability for government to judiciously make good of the proceeds from oil and gas earnings to develop the Nigeria economy has led to inefficient performance of Nigerian

economy over decades of corruption and abandonment of non-tax revenue, growth of public sector. Oil and gas economic dependency exposed Nigeria petroleum price volatility currently experience in the country. Although, the economy has the potentiality of becoming one of the twentieth leading economy by 2020, if it's natural sources and human capita development is adequate harness and managed, while relegating corruption to the background.[33]

### 3.0.2. Petroleum Profits Tax (PPT) Administration in Nigeria

Prospective petroleum upstream sector exploration mining and refining attract taxation known as petroleum profits tax (PPT) at the rate of 87 percent, while on export is about 63.70 percent. Nigerian tax laws accorded legal right on taxes administrator, Federal Inland Revenue Services (FIRS) to mop taxes from both public and private entitles on behalf of government. And its responsibilities include petroleum profits tax, among others. Unfortunately, Nigeria has focused more petroleum tax revenue mopping at the detriment of economic stimulating and growth.[34]

### 3.0.3. Crude Oil Licensing Fee

Crude oil licensing is an operational permit given to potential investor, legalising operation of oil and gas business. With the intent to raise revenue for the country through licensing fee collect from intending investor, control and maintenance of global standard. The Directorate for Petroleum Resources (DPR) is the licensee responsible for the issuance of oil and gas license for upstream and downstream business operations. This implies that, there is a Petroleum Provisional Act that empowered the regulator to source for income from potential investors in exploration, refining and marketing of petroleum product business. Others are; control of minerals upon or under land or territorial waters that are within the economic region of the country, shall be managed as prescribed in the 1999 Constitution, Section 44(3), found in Petroleum Act of 1969, Section 1 & 2 of the Federal Republic of Nigeria. This was how oil and gas licensing fee became a channel of raising revenue income for the country.[35]

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[33] Damian.C.N. & Harrison.O.O. (2014), Government Revenue and Expenditure in Nigeria: A Disaggregated Analysis, Department of Economics.

[34] Kiable .D.B & Nwikpasi,. N.N. (2009), Slected Aspect of Nigerian Taxes.

[35] Sani .I.D. & Suday .N.E. (2009), Central Bank of Nigera Statistical Bulletin.

## 4.0. GENERAL DISCUSSION

Oil among other energy sources such as, Atomic energy, Wind, Sun, Geothermal energy, Water, Hydrogen, Full-cell power, coal, Bitumen, Paraffin wax and Sulphur among others was first discovered in the Western countries in 1805. The search for mineral deposit in Nigeria, such as hydrocarbon was first undertaken by a German-Nigerian Bitumen company and British Colonial Petroleum Company in 1907 at Okitipupa region 55 miles South West, Ondo State, Nigeria. Between 1908 and 1914, 15 wells were discovered and explored ranging from about 360 to 1400 feet. However, this process was interrupted by World War 1, until 1937 when shell/D'Arcy initiated reconnaissance works in exploration In 1946, in Niger Delta in the South-South of the country, while there was similar reconnaissance summary in Sokoto the Northern basin region of Nigeria by Mobil (then Socony Vacuum Company). Before the Colonial Mineral Ordinance of 1914, Petroleum exploration has remained an old pursuit, throughout the first millennium AD; crude oil and gas were gotten from natural seepages in different countries world. Crude oil, salt and bitumen were produced simultaneously. The only uses of oil were for medication, water proofing, and warfare. Oil was applied externally for wounds and rheumatism and administered internally as a laxative. From the time of Noah, pitch-oil has been used to make boats watertight. For instance, when Alexander the great invaded India in 326 B.C, he scattered the Indian elephant corps by charging them with horsemen waving pots of burning pitch, Nadir Shah employed a similar device, impregnating the humps of camels with oil and setting them ablaze against the Indian elephant corps in 1739.Also asphalt was used by the Greek as a means of fine in 668 A.D. although, its recipe is unknown, but it is generally believed to have included quicklime, sulphur, and naphtha and it ignited when wetted. It was a potent weapon in Byzantine naval warfare. A major stimulus to oil was the giant stride in the development of internal combustion engine in 1870s and 1880s leading to a gradual demand for lighter Petroleum fractions that overtook the demand for kerosene.[36]

Furthermore, the British Petroleum and Shell found their oil reserves abroad, principally in the Middle and Far East. They were thus involved early in long distance transport by measuring their oil by Seagoing tonne. While the American Companies, by contrast, with shorter transportation distance, using the barrel as their unit of measurement. The American Companies began overseas ventures, mainly in Central and South America, in the 1920s. In the 1930s the Arabian-American Oil Company (Aramco) evolved from a consortium of Socal, Texaco, Mobil and Exxon. Following the Second World War and the post-war economic boom, the consortia principle became established over much of the free world economy. Oil Companies risked the profits from one exploration area to another in search for new oil wells to explore. From the day when crude oil was discovered centuries ago, Petroleum Geologist has become more and more skilled and demanding, wandering about countryside with a naked flame, optimism and a sense of adventure.

Though the nation at independence inherited sophisticated nationalists, politicians and statesmen, its economy was still profoundly underdeveloped. Hence, in 1999, the government come out with lofty blue print to reposition the country's economy for growth and development. That will ensure professionalism in the management, privatization and total liberalization of the economy to private partnership, especially the deregulation policy of the

[36] Tyler D. (2015), Israel's Netanyahu Lied About Iran With Infamous "Clear Red Line" Threat, Mossad Leak Reveals.

oil and gas sectors. With non-petroleum sectors complementing the policy drive of the economy growth and development.[37]

### 4.0.1. Privatization:

In a bid to meet the 2020 economy development plan of the government, most government own establishment in Nigeria have been either been out rightly privatised or jointly own partnership. This exercise has triggered massive economic growth in the area of social development of infrastructure, job creation and opening up the economy for vast investment potentials, like telecommunication, energy companies, oil and gas development, expansion of entrepreneurial business empires, agriculture sector, and manufacturing sector has gain more investment grounds, and transportation innovation drive of private ownership economy. Privatization implies that, private individual or groups takes possession or jointly own public company, or buy out completely its shareholders and become fully private own. This is typically done through a buyout which occurs when the buyers believe the securities have been undervalued by investors.

Most industrialized countries have laws and regulations that detail steps which prospective owners (public or private) must follow if they wish to take over a publicly-traded corporation. This often entails a formal offer for each share of the company to shareholders. Normally once shareholders are compelled to sell at the agreed price, the company becomes a subsidiary, and it ceases to exist as public it becomes privately own.[38]

### 4.0.2. Development:

Development has various interpretations which are subject to different school of thoughts. In mathematical field of topology, development is expressed as countable collection of open covers of topological space that satisfies certain separate axioms. But, sonata-allegro put, development as the middle section where raw material are in exposed to process of expansion. In classical definition, development refers to the simple idea of create value out nothing, an act of improving or refining a process in which something passes by degrees to a different stage (production or manufacturing). For example, "the development of his ideas took many years"; "the evolution of Greek civilization"; took centuries of development. Rostow (1961), in his five stages of development: defined growth and development as a progressive movement; an assertion from lower stage of economic growth to higher stage; and from simple to complex situation. The simple/lower stage(s) refer to the state of nature in which society finds itself in the process of social evolution. Division of labour at this level was rudimentary. Nearly every member of the society performs similar roles and function. The transition to the complex stage results from certain needs which arise from society. Division of labour was raised to a higher status with every member of the society assigned a specific role and function in the stratification system.

However, economic growth and development are considered in term of quantitative and qualitative socioeconomic and political changes which leads to realization of human capital

[37] Ayanruoh. F. (2013),Oil & People: Why Public Private Partnership Can Boost Refinery Projects,

[38] DoubleGist (2013), Privatization & Commercialization Policies-Economic Impact on Nigeria.

potentials, and advancement of social –welfare of the citizenry without its negative impact on the individual interest and national economic growth.[39]

### 4.0.3. Organization:

This is a social organ with a vision/mission to pursue collective goals, which controls its own performance, and which has a boundary separating it from its environment.[40]

### 4.0.4. Performance:

Performance implies sets of ideas or quantifiable measurements, agreed to beforehand, that reflect the critical success factors of an economy. That is, it could be viewed as ratio of useful work performed or output produced to the total energy or input expended. Secondly, it indicates a degree at which an organization actualizes its sets goals. These include partial attainment and sustainability of organization.[41]

## 4.1. MANAGING NIGERIAN PETROLEUM ECONOMY POLICY

There are three prime systems in policy conceptualisation; interconnected, overlapping, and coequal. Policy is a blue prints that guide or leads to the actualization of a plan of action. It is a decision about amounts and the allocations of resources: the overall commitment to certain areas of concern; and distribution of priorities of decision makers. Policy sets priorities and guides resource allocation at any level of government. Some levels of policies may have formal or legal precedence over the others. Policy may be set by Heads of government, legislatures, and regulatory agencies empowered by other constituted authorities to do so. There are supranational institutions' policies organs like World Trade Organization or United Nations Conventions, who are empowered to overrule government policies due to global concerns. Other institutions' policy actors are organizations' policies.

They are empowered to enact policy that will govern their organization, but, such policies are usually subordinate to public policy, and are always shaped in accordance with available options under public policy. For example, tax policy, environmental policy, civil rights policy, labour policy goals, which is to shape the course and pace of change in a preferred direction by influencing actions of public and private organizations', affecting populations, environments, and behavioral changes in organization's decisions about their use of resources alters activities of managers, staff, clients and customers, affecting access to services, products, and information. Socio-economic policies improve the conditions under which people live sustainable lifestyles. Policy adequacy may be measured by its impact on population GDP (Gross Domestic Product) and NI (National Income).

Managing petroleum economy policy content in 21st century, depend on the percentages of human capita development a country has. The global environment is facing range of

[39] Masayuki .O. (2011), The Employment Isolation Effect Under Flexible Exchange Rate.
[40] Bob O. (2013), Organizational Theory.
[41] Hindle .T. (2008), The Economist: Guide To Management Ideas and Gurus.

ecological, economic, and social challenges, posing threat on our industries, utilization of renewable and non-renewable natural resources as unsustainable. There are challenges associated with policies management and implementation in Nigeria; for examples, global that human may now directly and indirectly apply about 40 percent of the total photosynthetic product of the planet which is likely to stringently limit future growth in human consumption to energy creation globally. This suggests that global petroleum products consumption capacity will soon be exceeded, if it hasn't been already, and that global adoption of industrialized countries' rates of consumption and production would simply be untenable at a peak of decline. [42]

Global socioeconomic change is extremely rapid. This include disappearance of centrally planned economies might; the trend toward the use of market forces and market-based policies throughout the world. Other changes are; global economic integration driven by trade liberalization and emergence of a global capital market, characterized by financial flows that dwarf flows of traded goods and services, etc. These developments have bandwagon impact on increasing number of economic interdependence among nation states and reductions in national economic sovereignty. This changes had also led to the of emergence of global corporations and financial institutions whose activities can now be effectively regulated by government; highly mobile international trade integration and investment inflows, which are gave freedom to raise taxes for social programs; increasing pressures to maintain international competitiveness; pressures to reduce the size of the public sector, to reduce (or at least not increase) taxation (especially direct taxes), and to reduce deficit financing and public debt; growing structural unemployment in many industrialized countries; rising and unacceptable number of people living in absolute poverty; and large income disparities between richer and poorer countries and between rich and poor within both industrialized and developing countries.

The causes of these problems are the subject of much debate, as are the most promising remedies, whether these phenomena are actual problems at all. But current economic conditions are clearly unsustainable for a significant proportion of the world's population, in developed and developing countries alike. In many market-oriented industrial societies, the system of governance is viewed with growing distrust, a sense of alienation, and even distaste. This is coupled with the failure of governments to address basic social issues, such as insecurity, diseases, poverty, unemployment, and shelter, in ways that command public support. When the above are addressed, it will grow public trust/demands on government to cut taxes and reduce debt conflict with the desire to maintain social and environmental programs.

From 1960 to 2015, the Nigerian government has been unable to manage policy thrust of various sector of the economy. There has been persistent failure in policy implementation on: the entire petroleum sector, unresolved ecological problems, collapse of the agricultural sector, disappearance of textile & cottage industry, etc. has become challenges to the economy. In fact, the interaction of these challenges often reinforces their negative impacts. For example, legacy of environmental mismanagement is now seen as one of the most severe economic burdens in developing economies, internationally set targets eliminate greenhouse gas emissions or gas flaring are not being reached because governments of developing countries are unable to address the mismanagement and environmental deterioration of

[42] Agwu .O. (2014), Petroleum Project Economics and Risk Analysis. Retrieved from: http://www.nigerianbulletin.com/

agricultural land, water, and air pollution as a result of gas emission. Growing major cause of social and ethnic tensions, often leading to armed conflict; and Economic inequality within societies, especially when it appears to be connected to increasing globalization of the world's economies, is reducing social cohesion and making it more difficult for people to accept macroeconomic change without social tension.[43]

In the last half century, economic objectives policy has had major influence on Nigerian economy direction. But, the ability of the social system to influence the economic system has been declining factor. There is also evidence that other social influences on the market are growing (via consumer and environmental groups, for example). On the whole, in many parts of the world, global economic integration clearly seems to be connected with social and cultural environment within market operations. For example, growing economic inequities has been linked to continuous economic globalization. This is not merely a matter of the direct economic policy and employment generation portfolio, rather policy on trade liberalization or structural-adjustment policies and actual loss of national economic control associated with global economic integration is a major factor in increasing social tensions and in reinforcing a desire to build a sense of community through local sovereignty and pro-independence groups that will initiate policies that will energise economic development in the country.

It is increasingly argued that in response to global economic integration, high-wage, and resource-based industrialized concept should be implore in developing economy with a view to initiate growth and development. Moreover, if the economic and social needs of developing countries' industrializing economies are to be met, trading network and capital inflows of investment must be greatly expanded. For the poorest countries, economic policy is needed to keep their current economic activities going through export earnings.

## 5.0. FUTURE SUGGESTIONS AND RECOMMENDATIONS

This research work has demonstrated the efficacy of petroleum sector in the socioeconomic development of Nigeria economy, and its leading role played in income generation and earnings from export trading of crude oil and gas products in the country's GDP ratio.

### 5.0.1. Suggestions for Future Studies

The strategic importance of oil and gas business to the economic development con not be exhaustive enough, hence, the need to further research on petroleum products pricing components with a view to understudy its impact to global petroleum pricing and its market fundamentals.

[43] Aderinokun .K. (2012), 'Nigeria's Economy Has Performed Averagely Since 1960'.

### 5.0.2. Study Recommendations

Although Nigeria is struggling with her decaying socioeconomic policies on infrastructure development, obsolete petroleum management policy, sectorial problems and poor regulatory environment policy, the country possesses many positive attributes that are targeted towards investment dividend that will attract internal and international market potentials. There other sectors of Nigeria economy that has huge markets potentials outside the oil and gas sector that can attract huge foreign earnings if well managed. These are: telecommunication providers, manufacturing sector, agricultural sector etc. should be strengthened, while creating a level playing ground for entrepreneurial competitive growth, and where possible, some of these huge capital based investor should be given tax holiday to encourage foreign and indigenous investor into Nigeria economy. Various governments' reform programs should be allowed to initiate economic growth. There is a growing Nigerian consensus that foreign investment is essential to realizing Nigeria's vast but squandered potential. European investments are increasing in exploring the Nigerian market.

However, to improve prospects for success, potential investors must educate themselves extensively on how to manage local contents business practices and cultural environment of operations. The Nigerian Government is keenly aware that sustaining democratic principles, enhancing security for life and property, and rebuilding and maintaining infrastructure are necessary for the country to attract foreign investment.

## 6.0. Conclusion

This theoretical summary is borne out of the fact that the theory directs our attention to the source of policy thrust and whose interest public policies serve. The theory attempts to proffers a realistic explanation of the resources of policy by predicting it in the elites rather than the proletariats. Classical democratic theories assume that public preferences articulated by representatives are the main source of policy thrust. Realistically, the citizenry does not have any considerable influence on public policies. These schools of thoughts, earnings, and income theorists have tended to seen income as wealth cumulative and pervasive in all aspects of society.

From the above submission, since the main feature of any public policy is toward national development particularly, in the management of natural resources in developing nations of like Nigeria. Petroleum economy management anchor on policy of investment which becomes imperative. If government wants to contribute their quota in assisting in achieving economic growth in Nigeria and a higher level of efficiency in the oil and gas sector, the industry must be seen to be private driven. The nature of efficiency should not be quantitative alone, rather qualitative in performance and should not be "productivity investment" based, rather commerce base. But, as long as the intending policy serves its desired purpose for increased growth and development, the purpose is achieved. Nigeria's foreign economic relations is Afro-centric which revolve round its role in supplying most African countries and world economy with oil and natural gas, even as the country seeks to diversify its accrued export earnings, while harmonizing tariffs in line with a potential market in African States, petroleum economy encourages inflows of foreign capital direct investment in the country.

Our discoveries from the above scenario imply that oil and gas economy management has a positive significant relationship with GDP revenue growth in Nigeria economy. While inflation impact is relatively insignificant, petroleum profit tax has a positive impact on the economy in a significant measure and a negative relationship with inflation. Licensing fee has little or no significant relationship with GDP growth as against earning/income from petroleum export earnings; rather, its relationship with inflation is positively statistically significant. Furthermore, it is obvious that petroleum income has a positive impact on Nigerian economy since its discovery in 1986. Thus, this study specifies that abundance of petroleum and its associated income has immensely contributed to socioeconomic growth and development of the economy of Nigeria and the global economy. Conclusively, therefore, that income from oil and gas (natural resource) has a positive influence on economic growth and development of Nigerian economy. It is important to note that of the above mentioned variables (oil and gas revenue, petroleum export earnings, income, profit licensing fees and petroleum tax), showed a stronger positive impact on the explained variables which measure development and growth in Nigerian economy.

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