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## Review Paper

## Crude Oil and the Future of Nigeria's Economy

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### ABSTRACT

Since the discovery of oil in commercial quantity in Nigeria by 1956, there emerged a new dynamic in the economy of the country which became overtly dependent on oil export as the major source of revenue and foreign exchange earnings. While the discovery of oil enabled Nigeria to accumulate a great amount of wealth in the oil boom of the 1970s, by the late 1980s, due to the fluctuations in global oil prices, Nigeria's oil revenue dropped drastically. This factor thereby led to a new argument that countries like Nigeria with an abundance of natural resources usually fall victim to the 'resource curse' theory due to economic mismanagement of the wealth they accumulate from the sale of their natural resources in the global market. Therefore, this study examined Nigeria's economic development holistically from the late 1950s when oil was discovered to contemporary times when there has been increasing calls for diversification of Nigeria's economy to enable the country's economy to become sustainable and reliant in a post-oil economy and era. The findings from this study were obtained from diverse secondary sources and extant literature that has been written by Scholars and Researchers. This study is significant because it offers insights into the economic development of Nigeria from the 1960s to the current period, as well as recommendations for the future development of Nigeria's economy.

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### INTRODUCTION

Before the discovery of oil in Nigeria, in the pre-colonial times, the economy of the diverse peoples and societies that inhabit the area which was to be called Nigeria had relied on diverse forms of indigenous class of capitals to survive such as land in which the people cultivated various forms of food and cash crops, labour that served the manpower in the farms, etc. During the colonial period, agriculture was the major export commodity in Nigeria, with the British colonial government promoting the cultivation of, and relying on the export of commodities such as; groundnuts, cotton, cocoa, palm kernel, palm oil, palm kernels, rubber, etc. Agricultural export in Nigeria during the colonial period amounted to between 65% and 75% of Nigeria's foreign exchange, and it was the most important source of revenue. As for mineral

resources, in the colonial period, Nigeria exported coal, tin, columbite, limestone, etc. <sup>[1]</sup>.

One other important point to note in the Pre-colonial economy of Nigeria is that the various communities and peoples devised means of raising revenues and facilitating their economic development. With the adoption of various indigenous commodity currencies such as iron rod, bracelets, manilas and cowries made the payment of tax easy. Taxation and payment of tributes therefore was one of the most important economic and revenue generation activities in pre-colonial Nigeria. In Northern Nigeria, a well-organized fiscal

<sup>1</sup> Ekundare, R.O. *An Economic History of Nigeria, 1860-1960*. London: Methuen & Co. Ltd. p. 16.

system had been adopted based on Islamic influences. In Southern Nigeria, a rudimentary indigenous tax system existed which was not as well-organized as that of the North. In essence, Ekundare asserted that the subsistent nature of Nigeria's economy did not allow for any flexibility of resources<sup>[2]</sup>. Therefore, on this note, it must be noted that the economy of pre-colonial and colonial Nigeria was largely dependent on agriculture. Since farming was the predominant occupation in all parts of Nigeria, therefore, the crops harvested from the farms were used for local consumption and also sold/exchanged at the local markets. Sometimes, in big towns and communities, the surplus agricultural products were exchanged for local industrial products like hoes, cutlasses, knives, mats, pottery, etc. Most pre-colonial Nigerian societies also engaged in various forms of crafts such as cloth dyeing, basket weaving, canoe making, palm wine tapping, blacksmithing, sculpture, animal husbandry, etc. as indigenous means of economic activities<sup>[3]</sup>.

Following the imposition of colonial rule in Nigeria from 1900, some scholars have argued that some elements of change occurred in Nigeria's economic structure through the colonial economic policies. However, from a close observation, it would be seen that apart from the colonial civil service, the bulk of the economic activities that took place in the country were based on mining activities and agriculture which was utilized by the British in earning revenue from the resources they met on ground. Therefore, colonial economic policies in Nigeria was geared towards obtaining maximum economic benefits for the British government. Therefore, this economic policy was export-based, with Nigeria exporting various raw materials and cash crops to Great Britain and other European countries, while Nigeria in turn imported consumer goods from Europe. Furthermore, the opportunities for the real development of Nigeria's economy, for diversification, and industrialization were not promoted or facilitated by the British government<sup>[4]</sup>. This study will, therefore, examine the crucial roles that have been played by crude oil in the economic development of Nigeria since its discovery in the late 1950s. The role of crude oil in Nigeria's economic development will be underscored in this study, including the oil politics and diplomacy that emanated since the discovery of oil, as well as the involvement/participation of both state and non-state actors, and the oil-producing communities in Nigeria's oil sector from independence to contemporary times. This paper will also seek to shed more light on the future of Nigeria's economy beyond crude oil in a world that is fast adopting cleaner and more renewable sources of energy. The future of Nigeria's economic development will be the focal point of this study. Austin has suggested that colonial rule was intended to be cheap for taxpayers in Europe. As for the

British government, it was intended for the colonies to be self-supporting and not rely on the Metropolitan country for their economic survival or needs. Therefore, colonial economic development in their African colonies was intended to facilitate the growth in colonial revenue. Therefore, colonial infrastructure was tied to the need for the colonial government to extract raw materials and cash commodities from the colonies. Colonial economic models in the case of the British West Africa colonies was tied to taxation, in which the British received more tax money in Africa than she spent. The establishment of marketing Boards in British West African colonies accrued substantial surpluses to the colonial government by keeping a large margin between the price paid to producers and the price that the boards received for the production of crops in the world market. It was these surpluses that Austin suggested was used in assisting the British metropolitan economy to recover from the post-war dollar shortage<sup>[5]</sup>. On this note, the theoretical framework underpinning this paper is the resource curse theory which states that Nations who are naturally endowed with natural resources like Nigeria ironically underperforms economically and are unable to use their natural resources to boost their economies, and these countries also have lower economic growth than countries that have a paucity of natural resources. In the case of Nigeria, the resource-curse theory is evident in the Nigerian economic growth and performance since the discovery of oil. From 1956 till date, Nigeria's economy became heavily dependent on oil sales and revenues, which has had drastic impacts on other lucrative sectors of the economy like mining and agriculture which had been the major sources of revenue in Nigeria before the discovery of oil. Other instances where the resource-curse theory is evident is in the Congo which is one of the richest regions of Africa in terms of abundant natural resources, but since independence, Congo has been torn apart by civil wars and various forms of conflicts, which has affected economic growth, leading to a retrogression in the economy of the country since then.

### **The Discovery of Crude Oil and the Post-colonial Economy of Nigeria up to 1999**

The discovery of oil in commercial quantity in Oloibiri in the Niger-Delta by 1956 opened a new chapter in the economic landscape of Nigeria. Before the discovery of this 'gold mine', as earlier noted, agriculture was the main source of government revenue throughout the colonial period, at least, agriculture in terms of cash crop production for export. As would be revealed in this study, the oil boom of the 1970s led to a severe disruption in the agricultural economy of Nigeria, as well as a large exodus of labour to the cities. Between 1972 and 1982, the annual production of Nigeria's major cash crops such as cocoa, rubber, cotton and groundnut fell by 43, 29, 65 and 64 percent respectively, while the share of

<sup>2</sup> Ekundare, R.O. *An Economic History of Nigeria, 1860-1960*. pp. 38-39.

<sup>3</sup> Ekundare, R.O. *An Economic History of Nigeria, 1860-1960*. pp. 40-43.

<sup>4</sup> Omeje, P.U. 2021. Historicizing Economic Structure and Development in Nigeria from pre-colonial era to the Fourth Republic Vision 20:2020. *Art and Social Sciences Journal*. Vol.12, No.5.

<sup>5</sup> Austin, G. 2010. African Economic Development and Colonial Legacies. *International Development Policy*. Vol.1. 2010.

agricultural imports in the total import also increased from about 3 percent in the late 1960s, to about 7 percent in the early 1980s [6]. Therefore, Ahmed *et al.* have based the discovery of oil in Nigeria in commercial quantity as an evidence of the resource-curse theory in which economic underdevelopment in a country is largely related to the abundance of natural resources which has been mismanaged by various interests, both internal and external within a country. Most importantly, Ahmed *et al.* also suggested that the discovery of oil in Nigeria by 1956 led to profound economic transformations in the country since then. This is evident based on the fact that from the 1970s onwards, oil had accounted for 90% of government revenue, as well as 95% of the country's export earnings [7]. However, contrary to the common knowledge which pegs 1956 as the year of oil discovery in Nigeria, Udosen, *et al.* (2009) have traced the history of oil exploration in Nigeria much earlier to the first decade of the 1900s when oil seepages were first seen at Araromi, in present day Ondo State. It was a German Company named Nigerian Bitumen Corporation that started oil exploration in this area in 1908. However, this earlier exploration activity was short-lived following the commencement of the First World War. Oil exploration activities resumed by 1937 after an Anglo-Dutch Consortium came to Nigeria as Shell D' Arcyl which was the forerunner to Shell and operated for a short while before the Second World War started. From 1947, after the Second World War, exploration activities resumed again. Following the discovery of Oil in 1956, the Shell Petroleum Development Company of Nigeria started the production and export of oil from the Oloibiri oil field at a rate of 5100 barrels per day. From 1959-1960, this quantity doubled, and by January 1979, crude oil production and export in Nigeria had reached its highest peak as Nigeria produced at the rate of 2.44 million barrels per day in that year [8].

It must also be noted that after the discovery of oil in 1956, by 1957, other areas of the Niger-Delta were ceded by the Nigerian government to conduct oil exploration such as Mobil which by 1955 was licensed to explore for crude oil in the entire Northern Region, and a major part of the Western Region, other foreign oil companies were also given licenses to explore oil and other crude oil products first onshore and later offshore by 1961. As for indigenous private companies like Henry Stephens and sons Limited, they were also given license to start oil exploration in Nigeria from 1977. However, this company folded up in the same year after unsuccessful attempts at oil exploration or in discovering any oil deposit. By 1979, NIGUS another indigenous oil company commenced exploration activities. Meanwhile, other private

players in Nigeria's oil industry are engaged in the distributive sector by liaising between buyers and sellers in the crude oil market for a commission [9]. Therefore, this reveals the fact that the oil industry in Nigeria since independence had been based on the activities of both private individuals, the government and Multi-National Oil Corporations.

From 1961 onwards, other oil companies like Mobil, Gulf Agip, Safrap, Teneco, and Amoseas (Texaco/Chevron) joined in oil exploration activities in Nigeria. This subsequently led to the first off-shore discovery of oil in Nigeria by Gulf Agip in the old Bendel State now Delta State in 1964. Furthermore, from 1960 to 1971, there was a quantum leap in the contribution of crude oil to total export from 2.7% in 1960 to 73.7% in 1971 when Nigeria became a member of OPEC (Organization of Petroleum Exporting Countries). After joining OPEC, the average price of Nigeria's Bonny Light rose to \$3.22 per barrel from 65 cents in the previous years. It further rose to \$11.87 per barrel in 1975, before reaching \$38.82 per barrel in 1980. However, fluctuations have always occurred in Nigeria's oil economy since joining OPEC. This is because this organization relies on the global economic dynamics and the trends in the global demand and supply markets to determine oil prices. Therefore, in subsequent years, Nigeria witnessed a rapid decline in the price of its Bonny light, which sold for \$15.09 per barrel in 1988, before dropping to \$12.77 per barrel in 1998. This, therefore reveals the fact that there was a significant drop and fluctuations in the oil prices of Nigeria from the boom of the 1970s and early 1980s, and the fluctuations witnessed in the late 1980s and 1990s [10].

Furthermore, in the period 1958-1966, there was a continuous increase in Nigeria's crude oil production from barely 1.876 million barrels in 1958 or an average daily production of 5000 barrels, and this annual production rose to 152, 428 million barrels or an average daily production of 418,000 barrels per day by 1966. However, following the outbreak of the civil war in 1967, the level of daily production dropped, and the war also led to a disruption in the exploration activities of the oil companies that operated and were located in the war-affected areas. However, following the end of the civil war, production levels rose again from 1970, with a steady increase from 1969 in which 197,204 million barrels were produced, to 823,318 million in 1974. However, this production level further suffered a decline in 1975 to 651,507 barrels, while rising to 776,054 million barrels in 1976 and 1977. It however dropped significantly to 667,609 million barrels in 1978, before rising to 842,474 million barrel benchmark which was the highest ever since then. By 1981, production had dropped once again to 522,102 million barrel. Therefore, the fluctuating levels of production according to Sule can be attributed to economic factors such as depression

<sup>6</sup> Pinto, B. 1987. Nigeria During and After the Oil Boom: A Policy Comparison with Indonesia. *The World Bank Economic Review*, Vol. 1, No. 3. p.32.

<sup>7</sup> Saidu, A.S., Aliyu, S.B. & Zubair, U.A. 2016. Is the discovery of oil a curse of a blessing to Nigeria? *CBN Bullion*, Vol.40, No.1. pp. 22-23.

<sup>8</sup> Udosen, C., Etok, A.I. S. & George, I.N. Fifty Years of Oil Exploration in Nigeria: The Paradox of Plenty. *Global Journal of Social Sciences*. Vol.8, No.2. p.37.

<sup>9</sup> Sule, E.I.K. 1982. Oil in the Political Economy of Nigeria. *CBN Economic and Financial Review*. Vol. 20, No.1. p. 14.

<sup>10</sup> Udosen, C., Etok, A.I. S. & George, I.N. Fifty Years of Oil Exploration in Nigeria: The Paradox of Plenty. p. 38.

in the economy of the major oil importing countries in this period<sup>[11]</sup>. The consumption of petroleum products in Nigeria also rose significantly from 2.3 million tonnes in 1973, it then doubled to 4.8 million tonnes in 1977, before rising to 8.6 million tonnes in 1981. Similarly, before the current comatose situation of Nigeria's local oil refineries, the products of the refineries in Nigeria in the immediate years after independence helped to curtail Nigeria's dependence on imported petroleum products such as cooking gas, aviation oil, kerosene, petrol of diverse qualities, etc. The refineries also helped to reduce Nigeria's import dependency ratio from an annual average of 41.1 percent in 1972 and 1977 to 39.4 percent in 1978-1980, and to 16.3 percent in 1981 under the combined efforts of the three refineries that operated in Nigeria from 1965. These refineries were located in Port Harcourt, Kaduna, and Warri. By 1982, these refineries combined had a refining capacity of 260,000 barrels per day<sup>[12]</sup>. Babatunde *et al.* (2021) regarded the post-colonial economic development of Nigeria as one based on overdependence on external factors for aid and various forms of assistance. This is seen in the 1980s, more specifically in 1986, when Nigeria adopted the structural adjustment programmes (SAP) proposed by the IMF and World Bank. However, this program proved to favour foreign interests, while Nigeria lacked greater involvement in international trade. Similarly, they have also described Nigeria's economy in the decades after independence as foreign-oriented, this is as a result of the failure of Nigerian industrialists to conceive, design and implement indigenous economic policies that will be in tune with the local forces of demand and supply in operation in the country. Furthermore, in the years after independence, due to the dependent nature of the Nigerian economy, foreign forces and powers used this opportunity to dominate the country's economy through the activities of Multi-National Corporations who dictated and influenced economic policies in the country, thereby perpetuating the cycle of dependency in the country. Therefore, the Structural Adjustment Programme demonstrated to be one of the foreign-oriented economic policies that was implemented in Nigeria after independence<sup>[13]</sup>.

As earlier noted, before the oil boom years of the 1930s, the mainstay of Nigeria's economy used to be agriculture, which was also the chief foreign exchange earner. However, this changed after the discovery of commercial quantity of oil in 1956. By the 1970s, the sale of Nigeria's crude oil brought about massive revenue for the country, which however did not reflect in the living standard and condition of the people of Nigeria due to economic mismanagement. Therefore, in this period also, Nigeria's economy became transformed from dependency on agriculture to dependency on oil, which led to prevailing fiscal and external deficits. The over-

dependence of oil since 1960 also left the country's economy vulnerable to external shocks. Furthermore, as a result of the over-dependence on oil revenues in the years after independence, Nigeria's economy experienced a gross misallocation and mismanagement of resources, stagnation of non-oil export and industries, as well as increased reliance on imports<sup>[14]</sup>. Pinto (1987) also asserted that Nigeria's membership in OPEC (Organization of Petroleum Exporting Countries) enabled the country to experience a large transfer of wealth in the 1970s due to the oil price shocks of 1973-1974 and 1979. The country also gained access to international capital markets. However, the rise of oil wealth in the 1970s had drastic effects on other sectors of the country's economy, such as agriculture, which was the country's main economic and exportable sector before the discovery of oil. However, following the collapse of oil prices in 1982, Nigeria experienced rising inflation, strict rationing of foreign exchange, and the possibility of debt rescheduling. This also coincided with the rise of parallel markets. Furthermore, the period of the oil boom in the 1970s was evident in the share of oil in Nigeria's GDP and exports which rose rapidly after 1970-1973. As a result of this, Nigeria's terms of trade became virtually synonymous with the oil price which was deflated by the import price index<sup>[15]</sup>. The decline in oil prices that occurred in 1986 led to economic crisis in Nigeria, and it was as a result of this that the need for radical reforms became urgent. It was in this situation that SAP was proposed by the IMF and World Bank as an economic stabilization programme which was aimed at controlling inflation, as well as controlling temporary imbalances in the country's Balance of Payment. The SAP in this period aimed to restore economic balance through deregulation, trade liberalization, public sector reforms, enhancing agricultural prices, removal of obstacles to savings and investments<sup>[16]</sup>.

The effects of foreign loans on Nigeria's economy since independence has been drastic, which has therefore continuously perpetuated Nigeria's dependency status. The access to foreign loans in Nigeria have also been tied to corruption, this is so because Babatunde *et al.* revealed that the problem with foreign loans in Nigeria is that the governing class use state power as a means to enrich themselves, as the loans they obtain from IMF and the World Bank is used for their private enrichment. The dependence of successive Nigerian governments since independence on foreign capital for the execution of major developmental projects have also created more avenues for the use of state power and resources for private enrichment. This is so because these loans when received enables more contracts to

<sup>11</sup> Sule, E.I.K. 1982. Oil in the Political Economy of Nigeria. pp.14-15.

<sup>12</sup> Sule, E.I.K. 1982. Oil in the Political Economy of Nigeria. p.15.

<sup>13</sup> Babatunde, P., Oromareghake, O., Chul, A.A., Mohammed, I. & Johnson, T. 2021. Post-Colonial Nigeria and Economic Dependency: Issues, Strategies and the way forward. *Arts and Social Science Research*. Vol. 11. pp. 118-119.

<sup>14</sup> Babatunde, P., Oromareghake, O., Chul, A.A., Mohammed, I. & Johnson, T. 2021. Post-Colonial Nigeria and Economic Dependency: Issues, Strategies and the way forward. p. 119.

<sup>15</sup> Pinto, B. 1987. Nigeria During and After the Oil Boom: A Policy Comparison with Indonesia. pp.419-420.

<sup>16</sup> Babatunde, P., Oromareghake, O., Chul, A.A., Mohammed, I. & Johnson, T. 2021. Post-Colonial Nigeria and Economic Dependency: Issues, Strategies and the way forward. p. 119.

be awarded to expatriate corporations friendly to the government. This process reveals that the proceeds of these loans used by the expatriate Corporations are taken back and reinvested in their home economy. However, while there is nothing wrong with receiving foreign loans to fund development projects. In the Nigerian context, these loans were not reinvested in capital expenditure projects, but were simply spent on recurrent expenditure and also mismanaged by the political elites <sup>[17]</sup>.

### Actors in the Nigerian Oil Industry since 1960

#### *Multi-National Oil Companies/Multi-National Corporations*

Diverse scholars and Researchers have continuously questioned the intent and role of foreign corporations in third world countries. In the era of legitimate trade, these Multinational Corporations used trade monopolies to carve out spheres of influence for themselves across the different coastal communities in Africa. On this note, the major objectives of Multinational corporations is to maximize profits from their global operations. Therefore, if the interests of these MNCs are not in tandem with that of the government, conflicts are bound to arise between the host communities and the MNCs. Although the development of the host countries is not meant to be the preoccupation of the MNCs or TNCs (Trans National Corporations), this is where the question of Corporate Social Responsibility come into play, which ensures that the MNCs utilize parts of the profits they make from their host communities to fund social, welfarist and economic development in their host communities. Apart from these, the main contributions of these foreign corporations can also be seen in the aspect of providing access to modern technology, foreign markets and to other technical support, most especially in the aspect of technological export <sup>[18]</sup>. In the case of Nigeria, these MNCs had various forms of conflicts with the host communities from the 1990s. Part of the grievances of the host communities bothered on the negative influence oil exploration had on the environment of the host communities. There were also claims of neglect of development in the host communities where these oil companies accrued a lot of profits. As a result of these unresolved grievances, there arose militancy among the youths of the oil producing communities from the early 1990s, as they agitated against the neglect of the MNCs in terms of the environmental hazards that accompanied their exploratory activities. These grievances of the host communities which was not attended to made militancy to become a persistent problem in the Niger-Delta region of Nigeria. This problem persisted into the early 2000s and proved difficult to be resolved by successive Nigerian governments.

<sup>17</sup> Babatunde, P., Oromareghake, O., Chul, A.A., Mohammed, I. & Johnson, T. 2021. Post-Colonial Nigeria and Economic Dependency: Issues, Strategies and the way forward. pp. 127-128.

<sup>18</sup> Sule, E.I.K. 1982. Oil in the Political Economy of Nigeria. p. 16.

### Nigerian Government

The involvement of the Nigerian government in the oil industry commenced since after the discovery of oil in 1956. Therefore, the overall objective of the involvement of the Nigerian government in oil exploration is to ensure the progressive attainment of maximum degree of management, control, and direction of the oil resources. Similarly, the involvement of the Nigerian government in the oil industry can be seen in the control of the three major refineries in the country which were located in Kaduna, Warri and Port Harcourt since 1965 when the first refinery was opened at Alasa Eleme in Port Harcourt which was built by the Nigerian Petroleum Refining Company (N.P.R.C). However, this first refinery was a joint venture between the Nigerian government and British Petroleum, as well as Royal Dutch Shell. Furthermore, the Nigerian government has been involved in the formulation of policies that underpin the oil industry, most especially in the aspect of wooing foreign oil companies to invest in the oil industry. The government also got involved in Nigeria's oil industry through the formation of Nigerian National Oil Corporation (NNOC) in 1974, which carried out seismic work in off-shore oil drilling. The NNOC, which became a precursor to NNPC (Nigerian National Petroleum Corporation), performed the tasks of exploring, prospecting, winning, producing, storing, and marketing Nigeria's crude oil, as well as its refined products. In the 1970s, when NNOC started operation, the government's involvement in the oil industry was restricted to just the regulation of the oil industry. However, since then, the activities of both NNOC and NNPC have been continuously hampered by excessive government interference <sup>[19]</sup>.

### Oil-producing communities and Militancy

The oil-producing communities are one of the most crucial actors in Nigeria's oil industry. Through the emergence of Ken Saro Wiwa as a freedom fighter and Environmental Activist who agitated against the hazards and environmental pollutions in Ogoniland and the entire Niger-Delta as a result of the oil exploration activities of the oil companies and Multinationals that has continuously been perpetuated in the region. Saro Wiwa's emergence also inspired the rise of Niger-Delta militants and Avengers from the late 1990s who began agitating against the neglect of the oil-producing communities by both the Nigerian government and the Oil companies who have made huge revenue and profits from the proceeds of oil in the region without paying attention to the special needs of the people in these communities. For these reasons, many youths in the region took up arms against the Nigerian state and the oil companies both indigenous and foreign to press home their grievances. The violent response of the Nigerian government to the agitations of the militants in this region precipitated a decade-long war in the region between the Nigerian state and the youths in the region.

<sup>19</sup> Sule, E.I.K. 1982. Oil in the Political Economy of Nigeria. p. 18.

However, the amnesty programme of 2009 by President Yaradua seemed to have restored temporary peace in the region, until other groups who did not accept the demands of amnesty led by John Togo refused to accede to the amnesty deal. On this note, the militancy problems in the region continued to be perpetuated much into 2015, 2016 and 2017, as they launched various forms of attacks on oil installations and facilities across the country as a way to gain global attention as to their grievances, and the plights the oil-producing communities face as a result of the hazardous effects of oil exploration activities in the region.

### Crude oil and Nigeria's Economic Development in the 21<sup>st</sup> century, 2000-2020

Usman (2022) have asserted that the strong economic growth that Nigeria has achieved in the first decade of the 21<sup>st</sup> century can be attributed to, and largely driven by the policy reforms in the non-oil sectors. She further argued that Nigeria's major developmental challenge has not been the 'oil curse' as suggested by many scholars and policy makers, but rather one of achieving economic diversification beyond oil, subsistent agriculture, informal activities, and across its subnational entities. Furthermore, Usman also argued that Nigeria's major challenge which has been one of economic diversification is situated within the political setting of an unstable distribution of power among individuals, groups and institutional actors. These challenges since the beginning of the 21<sup>st</sup> century in Nigeria has been linked to the short-term crisis management strategy of macroeconomic stabilization, restoring growth and selective public sector reforms that has been practised by successive Nigerian governments. Therefore, Usman asserted that to diversify Nigeria's economy, successive Nigerian governments in the 21<sup>st</sup> century must reorient government policies towards a consistent focus on pro-productivity, as well as comprehensive civil service and security sector overhaul<sup>[20]</sup>.

Ike, Okodua and Bagzibagli revealed the extent of Nigeria's over-dependence on crude oil as the mainstay of the country's economy by examining the fact that by year 2000, Nigeria's oil and gas exports had amounted to over 98% of total export earnings, and about 83% of federal government revenue, as well as generating more 40% of the country's GDP. The oil and gas sector of Nigeria also provides 95% of the country's foreign exchange accruals, as well as 65% of the government's budgetary revenue. Due to Nigeria's proven oil reserves which is estimated to be about 35.3 billion barrels, therefore, making the country tenth most petroleum-rich country in the world and the most significant oil-producing country in Africa from 2001. In the first two

years of the 21<sup>st</sup> century, Nigeria's crude oil production was averaging around 2.2 million barrels per day<sup>[21]</sup>.

In 2009, it was reported by the Manufacturers Association of Nigeria that over 820 manufacturing firms in Nigeria had shut down, and there have also been massive unemployment recorded in the years from 2000 to 2008, as well as the lack of physical infrastructure, insufficient demands, limited access to credit, etc. were some of the challenges faced by the manufacturing firms in Nigeria. However, Ike, *et al.* stated that lack of physical infrastructures that would have facilitated economic development in Nigeria in the 21<sup>st</sup> century can be attributed to the government neglect during the oil boom years, as well as the inability of the government to finance capital projects during bust cycles<sup>[22]</sup>.

When Nigeria was named the foremost economy in Africa by the year 2014, it was linked to the revenues from oil exports which greatly contributed to this growth. In 2014, Nigeria's GDP was amounted to be 568.50 billion USD it was revealed that crude oil export contributed greatly to this GDP figure by amounting to about 90% of export product. However, when oil revenue began to decline, as well as continuous price fluctuations in this period, this led Nigeria to experience some fiscal challenges including the funding of its annual budgets, as well as other fiscal deficit problems, including debt servicing. However, by 2016, South Africa overtook Nigeria once again as the foremost economy in Africa, as it was reported that Nigeria slid into a recession. Nigeria's problem in this period also extended beyond that of economic challenges, towards that of insecurity perpetuated by terrorism in the North and militancy in the South-South<sup>[23]</sup>.

Furthermore, due to the over-reliance of Nigeria on crude oil export for revenue generation and economic development, this factor has precipitated a mono-cultural economy in Nigeria. As a result of this, crude oil has accounted for over 90% of Nigeria's export product. By 2016, Nigeria had become the sixth largest oil producer in the world, which makes Nigeria rank high among the group of countries that have high dependence on crude oil export. While Nigeria's oil and gas sector accounts for 35% of the GDP, crude oil export revenue accounts for more than 90% of the country's total exports<sup>[24]</sup>.

In recent years, since the 2016/2017 recession in Nigeria, there have been repeated calls for diversification of Nigeria's mono-cultural economy, due to the negative impacts a mono-cultural economy will have on futuristic economic development in the country. Therefore, the need for the diversification of Nigeria's economy beyond oil has been

<sup>20</sup> Usman, Zainab. *Economic Diversification in Nigeria: The Politics of Building a Post-oil economy*. Published by Bloomberg, June 30<sup>th</sup>, 2022. <https://carnegieendowment.org/research/2022/06/economic-diversification-in-nigeria-the-politics-of-building-a-post-oil-economy?lang=en>

<sup>21</sup> Ike, G., Okodua, H. & Bagzibagli, K. 2016. Crude oil dependence, Deindustrialization and Economic Growth in Nigeria. 2<sup>nd</sup> February, 2016, 5<sup>th</sup> Economic & Finance Conference, Miami. p. 114. <https://doi:10.20472/EFC/2016.005.007>

<sup>22</sup> Ike, G., Okodua, H. & Bagzibagli, K. 2016. Crude oil dependence, Deindustrialization and Economic Growth in Nigeria. p. 114.

<sup>23</sup> Itumo, V.N. 2016. Nigeria's Mono-cultural Economy: Impact Assessment and Prospects. *European Journal of Interdisciplinary Studies*. Vol.8, No.2. p. 20.

<sup>24</sup> Itumo, V.N. 2016. Nigeria's Mono-cultural Economy: Impact Assessment and Prospects. pp. 25-26.

greatly emphasized by policy makers and economists <sup>[25]</sup>. However, in the following years after the recession, the Nigerian government continued to perpetuate the dependence on oil revenues as the mainstay of the economy. This was revealed by the Nigerian Ministry of Budget and National Planning in a report that following the recession of 2016, an economic recovery took place, in which the government focused on positioning the oil and gas sector to contribute to the economic restoration from 2017 to 2020. In this period, the Ministry also reported that policies were formulated by the government which sought to improve local oil refining and the government also successfully engaged and negotiated with the militants to end attacks on oil facilities in the country which was achieved through the execution of the Niger Delta Compact and Community Engagement Standard (CES) <sup>[26]</sup>. Furthermore, President Buhari's administration saw the oil and gas sector as relevant for Nigeria's economic development, this was revealed in other measures adopted by the government in boosting the local refining capacities of crude oil in Nigeria through the establishment of structures that encouraged the development of modular refineries, so as to increase local refining capacity in contrast to previous Nigerian governments that had to depend on external refining of Nigeria's crude oil due to the comatose nature of the country's local refineries. Thereby this led to the creation of opportunities for the establishment of modular refineries as part of the strategies created to reposition Nigeria's oil and gas sector under the Refineries and Local Production Capacity Initiative <sup>[27]</sup>. This has also served to reveal the fact that the dependence on oil revenues in Nigeria will continue to play a major role in economic planning and national development despite the increasing calls for diversification which has been perpetuated in recent years.

#### Diversification and the Future of Oil Economy in Nigeria

Ogbomo-Ovenseri & Kanwanye (2019) have traced the calls for diversification of Nigeria's economy beyond oil to the last decade of the 20<sup>th</sup> century. However, the need for diversification of Nigeria's economy beyond oil became more significant in the years between 2016 to 2017 when the country's economy experienced a recession, which was caused by the unstable character of the price of crude oil in the international oil market, which is attributed to the over-dependence of Nigeria on crude oil export as a major source of revenue. They further asserted that the need to diversify Nigeria's economy is significant, as it would enable the country to flourish by looking beyond the petroleum sector into other neglected sectors of the economy. Furthermore, due to the current 4<sup>th</sup> Industrial Revolution, the world is approaching a future that will go beyond combustion of non-renewable energy into the use of technological innovations

and renewable and sustainable sources of energy to promote socio-economic growth and development across countries of the world <sup>[28]</sup>.

In the post-Covid-19 era, Nigeria finds itself at a critical phase in which its economy has come to rely heavily on the volatile and vulnerable oil market, therefore, the need for economic diversification has become urgent. This can be observed based on the potential of Nigeria's economy to thrive beyond the oil and gas sector into other sectors of the economy like agriculture, solid minerals, manufacturing, services and the creative sector. On this basis, there has been calls and divergent opinions which have called for the leveraging of the country's vast agricultural resources, solid minerals, and creative industries, so as to reduce dependence on oil exports, which in the long run is capable of creating a resilient economy for the country <sup>[29]</sup>.

In recent years from 2020, onwards, Nigeria has found itself at a crossroads of a critical economic transformation. This is due to the fact that the global economic tides are turning, as recent reports and data have suggested that Nigeria is moving beyond its oil dependence and it is pivoting towards the non-oil sector. This is revealed in reports by the Nigerian Export Promotion Council, which stated that non-oil exports increased in Nigeria by 6.26 percent in 2024, as this also generated \$2.7 billion in revenue. This growth has largely been attributed to be driven by agriculture, solid minerals and manufactured products. Agriculture was at the forefront of this shift, based on reports which suggested that there was a recorded 123 percent surge in exports of agricultural products in the first quarter of 2024. As a result of this, the agricultural sector contributed 1.04 trillion naira to export earnings, which is a 270 percent increase from previous years. As for the solid minerals sector, in the first quarter of 2024, there was increase in export in this period amounting to 76.77 percent, compared to previous years which reflects the fact that there are renewed interests both from local and foreign investors in Nigeria's solid minerals sector. For example, due to the vast deposit of unmined tin, gold, limestone and many other solid minerals in Nigeria, this sector has remained underdeveloped and underexploited. In the manufacturing sector, in the first quarter of 2024, Nigerian exports saw a total amount of 6 trillion naira <sup>[30]</sup>. Therefore, the growth in the non-oil sector of Nigeria from the Post-Covid19 years serves to reveal the fact that despite the current over-dependence of Nigeria's economy on crude oil as a major source of revenue, changes are taking place, these changes

<sup>25</sup> Itumo, V.N. 2016. Nigeria's Mono-cultural Economy: Impact Assessment and Prospects. p.26.

<sup>26</sup> *National Development Plan (NDP) 2021-2025. Volume. I.* A Publication of the Federal Ministry of Finance, Budget and National Planning

<sup>27</sup> *National Development Plan (NDP) 2021-2025. Volume. I.* p.57.

<sup>28</sup> Ogbomo-Ovenseri, F.O. & Kanwanye, H.T. 2019. Nigeria beyond Oil: The Imperative of Diversification of the Nigerian Economy. *International Journal of Developing and Emerging Economies*. Vol.7, No.4. pp.15-16.

<sup>29</sup> *Nigeria: Beyond Oil – A Call for Economic Diversification*. August 28<sup>th</sup>, 2024. A Publication of Premium Times. Accessed <https://www.premiumtimrdng.com/business/business-news/728948-nigeria-beyond-oil-a-call-for-economic-diversification.html?tztc=1>

<sup>30</sup> *Nigeria's economic future: Moving beyond oil dependency*. Written by Businessday Editorial Board. 9<sup>th</sup> September, 2024. <https://businessday.ng/columnist/article/nigerias-economic-future-moving-beyond-oil-dependency/>

can equally be attributed to new trends in the world, as the world is moving towards an age of advancement and the 4<sup>th</sup> industrial revolution. Therefore, Nigeria is not spared in the changes and transformations that are taking place in the world, including the current digitization and globalization, in which the world will become increasingly interconnected and the nature of global economy will also become increasingly decentralized, thereby paving the way for non-state actors to participate and be involved in this global economic revolution.

## CONCLUSION

Therefore, in the years to come, Nigeria's economic diversification has become sacrosanct and has become more than just a policy goal. This is revealed by the growth experienced in non-oil exports in the second quarter of 2024, as stated above, which is a glimpse of what a diversified future beyond oil offers for Nigeria. Therefore, in this future economic transformation that must transcend beyond oil, it becomes necessary for the Nigerian government to prioritize infrastructural development, improve security, and create a business-friendly and enabling environment for both entrepreneurs and creatives to thrive. A diversified future beyond oil must be top objective for future Nigerian governments to build a resilient and more inclusive economy in the future of Nigeria <sup>[31]</sup>.

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<sup>31</sup> *Nigeria's economic Future: Moving beyond oil dependency*. Written by Businessday Editorial Board. 9<sup>th</sup> September, 2024. <https://businessday.ng/columnist/article/nigerias-economic-future-moving-beyond-oil-dependency/>