

**IMPACT OF PRIMARY EXPORTS ON UNDERDEVELOPMENT IN NIGERIA: A
CASE STUDY OF CRUDE OIL**

BY

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FACULTY OF SOCIAL SCIENCES
UNIVERSITY OF BENIN**

SEPTEMBER, 2023

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**A PROJECT PRESENTED TO THE DEPARTMENT OF POLITICAL SCIENCE,
FACULTY OF SOCIAL SCIENCES, UNIVERSITY OF BENIN, BENIN CITY, EDO
STATE IN PARTIAL FUFILMENT OF THE REQUIREMENTS FOR THE AWARD
OF BACHELOR OF SCIENCE (B.Sc.) IN POLITICAL SCIENCE**

SEPTEMBER, 2023

CERTIFICATION

We, the undersigned, certify that this research project was carried out **Deborah Odinakachi AJUZIE** with matriculation number **SSC1809560** in the Department of Political Science, Faculty of Social Sciences, University of Benin, Benin City in partial fulfilment of the requirements of the award of Bachelor of Science in Political Science.

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Signature and Date

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(Head of Department)

Signature and Date

DEDICATION

This research is dedicated to GOD ALMIGHTY, for his grace, mercy and protection throughout my academic sojourn in this great citadel of learning. I am grateful to God almighty.

This work is also dedicated to my mom and sister who have never failed to provide financial and moral support in every way. I also dedicate the project to my uncle Mr. Emmanuel Ajuzie who have been, and remains a source of inspiration and motivation for my academic sojourn. Thank you daddy.

ACKNOWLEDGEMENT

I would like to express my profound gratitude and appreciation to all those who in one way or the other contributed to the success of this project.

First and foremost, I am grateful to God Almighty for giving me the vision, knowledge, health and strength needed to complete this project.

My sincere thanks goes to my Supervisor; Dr. O. Idahosa and my project coordinator Dr Francis Osayi who immensely nurtured the progress of this study with much interest and concern. For his patience, understanding, guidance and counsel, I deeply express my gratitude.

To my supportive family: Mr Emmanuel Ugunna Ajuzie, Mrs Chineye Ajuzie, Mrs Patience Ajuzie, Mrs Happiness Nelson thank you for your parental role, your moral encouragement and support. My immense gratitude to my sister Esther Ajuzie, for your love, your guidance and support all through this study. Pa. Maduofor, your encouragement, support and guidance was of great importance, thank you Papa. Mr Chuks Ideh, thank you for your guidance, care and support. I will not fail to mention my friends especially Peter, Happiness, Precious, Dami, Destiny, Tosin, Ebube, for their love, assistance and care and other special

individuals: Mr. Mike, Rev Chinedu Nkere, Director John, Godwin for contributing to the success of this study.

This acknowledgement would be incomplete without thanking all who assisted me during the collection of information through questionnaires. It is not possible to put down every name on paper, but to all who have not been mentioned, I say thank you for your support and kindness. May God Almighty bless you all.

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ABSTRACT

This study was designed to ascertain Impact of Primary Exports on Underdevelopment in Nigeria: A Case Study of Crude Oil. Five (4) research questions were formulated to guide the study.

The study adopted a descriptive survey. The population for this study includes lecturers from the University of Benin. A total number of twenty (20) respondents comprising of lecturers from the departments of political science and economics, within the University of Benin were drawn from the population of the study using the purposive sampling technique which were used as the respondents for this study. Nineteen (19) out of the twenty distributed questionnaires were found valid and used for analysis. The research instrument for the study was a Questionnaire titled: Primary Products Export and Underdevelopment in Nigeria: A Case Study of Crude Oil (PPEUN:ACSCO), which was distributed to the respondents and collected immediately after completion from respondents. The simple percentage and mean score was used in computing the responses of the questionnaire items. To account for the reliability of the study, the Pearson's Product Moment Correlation Coefficient was used which gave a value of 0.79.

At the end of the study, the researcher found amongst others that crude oil export significantly boosts Nigeria's economic growth and development, and over-reliance on crude oil exports does not hinder the diversification of Nigeria's economy and contribute to underdevelopment. It was recommended amongst others that Federal Government of Nigeria should prioritize diversification of its revenue sources beyond crude oil export and also promote sectors like agriculture, manufacturing, and technology can reduce overreliance on oil revenues and create a more resilient economy and Government should encourage the growth of local industries and businesses within the oil sector in order to create jobs and retain more value within the Nigerian economy.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The crises of underdevelopment in the third world have been a subject of discourse amongst social scientists, national governments and international development organization for several decades. Largely countries in Africa, Asia, and Latin America are wallowing in mass poverty and socio-economic underdevelopment. According to Abraham (2010), third world countries are economically poor and technologically backward and largely characterized by under-developed structures, high maternal mortality, high child mortality, lower mass literacy, large rural population and so on. The situation in Nigeria mirrors this trend. With a population exceeding 200 million people, Nigeria ranks 161 out of 189 countries on the United Nations Development Programme's latest Human Development Index Report, scoring a HDI value of 0.532 (UNDP 2021). This indicates a significant disparity between economic growth and social well-being, underscoring Nigeria's struggle with low human development. The report, which lists countries with low human development, positions Nigeria at 29 out of 54 African nations, with Nepal, Pakistan, and Kenya leading the list and the Central African Republic, Congo, and Niger at the bottom (UNDP, 2021). The persistent underdevelopment in the third world, including Nigeria, has historical ties to a dependency on economically imposed structures that originated during the colonial era. This

involves the historical integration of third world economies into the global capitalist system and the subsequent reliance on Western economies (Stokes & Anderson, 1990; Ake, 2002). Associated with dependency is structural disarticulation which further impedes socio-economic development in the third world. In establishing this fact, Haung (1995) averred that one contributing factor to third world underdevelopment is that of structural disarticulation: which is an economic and social feature manifested by uneven sectorial development and lack of correspondence between domestic production and consumption patterns. In view of these arguments, this research hence was initiated to contribute to the theoretical and empirical literature of development crises in Nigeria arising from dependency and the inherent structural disarticulation as seen in the production and consumption incoherence measured by recent trends in Nigeria's foreign trade (import and export) patterns.

The Nigerian economy's mainstay over the years has undergone a transition from the agricultural sector to the oil sector but this is not without various internal and external imbalances affecting the economy with the discovery of oil placing the nation at a crossroad in terms of development. The oil sector as a capital-intensive sector employs less than the available labour force capacity and is loosely tied to the rest of the economy. As earlier noted, the oil boom of the 1970s resulted to the neglect of the agricultural sector and to an increasing import-dependent manufacturing sector due to the rise in consumption levels of both non-tradable domestic goods and foreign goods. Thus, the Nigerian economy is been

made to depend on foreign imports not just for the needed equipment, machinery, raw materials and intermediate goods to aid production, but also for the provision of food. Abdullahi (1981) noted that with the increased growth of the population, the agricultural sector is unable to produce food and meet the demands of the agricultural raw materials in order to operate at full capacity the country's oil mills, textile and agro-based industries, let alone have surplus for export. This has resulted to the undue closure of several agro-based industries dependent on the agricultural raw materials except they are allowed to import part or all of the needed materials from abroad, though at higher costs (Ammani, 2011).

As a way to correct this imbalance, several developmental projects were embarked on to cushion the negative effects on the agricultural sector. These include: establishment of the Nigerian Agricultural Bank (1973), Operation Feed the Nation (1976), strengthening of the River Basin Development Authorities (RBDAs) in 1977, Green Revolution (1980), Rural Agro-Industrial Scheme (RAIS) in 1981, 75% subsidy on fertilizer (1977-1983), the Rural Banking Programme and the Agricultural Credit Guarantee Scheme Fund both in 1977. Following these efforts made, Ammani, (2011) upholds that the decline in the agricultural sector explains the manifestation of the Dutch disease. Furthermore, Ogen (2007) noted that the Nigerian government became directly involved in the production of food crops in 1975; established large scale projects that were specialized in grains, livestock's, dairies and animal feeds production; establishment of the sugar factories at Numan, Lafiagi and Sunti, etc.

Furthermore, food production has since become a major problem and the huge foreign exchange earnings are being utilized in importing food. Edun (2012) noted that as the Nigerian agriculture stagnated, previous self-sufficiency gave way to ever increasing importation of food; and in line with the spending effect of the Dutch disease hypothesis, the payment of imported food was no problem as revenue from oil escalated and the currency became overvalued. Given the increased imports and a virtually single export item, Nigeria began developing a current account balance of payment deficit (from 1982) which coincided with the period of recession in the oil market; and hence, making the economy incur more external debts. With the overvaluation of the exchange rate, the drive towards industrialization turned out to be impossible resulting from the cheap importation of manufactured products. In addition, Nigerian factories could not thrive due to inadequate infrastructural facilities and this drove out the existing and potential foreign investors resulting to a decline in investment; weak transportation which continually impeded economic activities, etc (Edun, 2012).

Following the volatility in oil prices and the crash of oil price in the mid 80's, it brings to question the capacity of the oil sector to develop the Nigerian economy. The high priced oil which led to the overvaluation of the currency encouraged greater imports at cheaper prices, discouraged value-added exports and declined domestic production; greatly affecting the volatility of the exchange rate. In a bid to correct this imbalance, the exchange

rate has been continually devalued but this continuous devaluation of the country's currency which is supposed to encourage value-added exports has not materialized because the agricultural and manufacturing sectors are grossly performing below their optimal levels. As a matter of fact, despite the devaluation of the Naira, the low domestic production level of the economy has necessitated the importation of goods and services even at higher prices which are indirectly passed on to unsuspecting innocent consumers. (Rasaq, 2013).

Due to the inefficiency in the oil sector and the deficient refineries which are inadequate for production at an optimal capacity and to meet the demand of the economy, there has been a rise in importation of oil products at expensive prices (due to the exchange rate volatility) to augment the low production; making the economy an exporter of oil and a net importer of oil. This has grossly increased the cost of production of the transport sector and resulted to a decline in the sector's output. The transport sector provides an essential linkage within the economy and between the economy and the rest of the world. It is an important sector for the survival of the economy as it establishes the linkage between supply and demand of goods and services and plays an essential role in non-oil sectors for the realization of sustained economic growth. Sir Frederick Lugard (1965), the apostle of Indirect rule in Africa, stated that "the material development of Africa is summed up in one word – transportation" (as quoted in Olubomehin, 2012) implying that the development of colonial Africa and thus Nigeria, the Giant of Africa, is linked to the transport sector. Unfortunately,

the high cost of imports of refined petroleum products which is a major contributor to the increased cost of production of the transport sector is passed indirectly to consumers and the masses in general in form of high price of goods and services which encourages inflation (and since the inflation is based on the structure of the economy, it cannot be adequately managed through monetary policy manipulation of the interest rate). This imbalance has led to the agitation for the full deregulation of the petroleum upstream and downstream sectors and the passage of the Petroleum Industry bill (PIB).

Furthermore, the decline in oil prices and revenue over the years encouraged the accumulation of debt beginning from the early 80's. The external debt procured by the Obasanjo regime (1976-1979) stood at USD 6.8 billion; and by the end of Shagari's government as at December 1983, the external debt stock recorded USD 18.5 billion which increased further to USD 21.2 billion in the Gen. Muhammadu Buhari's administration of 1985. With the population assumed to be growing at 2.5% annually and debt service consuming about 4% of the GDP, the growth rate of about 6.5% per annum is inadequate to move the economy from its doldrums which can only be achieved by the active participation of the non-oil sectors in the growth of the economy. In a bid to deal with this imbalance, the government with support from the International Monetary Fund (IMF) established the Structural Adjustment Policy (SAP) in 1986 for the liberation of the economy in ways such as reducing tariffs, deregulation of agricultural prices and the liquidation and sale of

stateowned companies. However, by 1992, all IMF agreements ended and the economy reverted back to a downward spiral (Gould and Kapadia, 2008). Nonetheless, Nigeria successfully negotiated a debt relief deal with the Paris club of creditors in September, 2005 which saw the savings (debt relief gains) of about USD 1 billion per annum. Following this, Nigeria committed herself to the spending of the debt relief gains on pro-poor projects and programs in support of a national effort towards the achievement of the Millennium Development Goals (MDGs) (OSSAP-MDGs, 2012).

Conclusively, the spending effect and the resource movement effect which increases demand for non-tradables (non-capital projects) and shifts resources from the non-booming sectors to the booming sector respectively, imposes a great burden on the economy as contracts are over-valued; funds for embarking on major capital projects and completion of ongoing developmental projects necessary for sustained growth and development are limited resulting from the volatility in oil price and revenue. These phenomena lead to the embarking of the study.

1.2 Statement of Problem

The primary exports of crude oil in Nigeria have contributed to underdevelopment in the country, as the over-reliance on this resource has led to the neglect of other sectors of the economy, such as agriculture and manufacturing. This has made the Nigerian economy vulnerable to fluctuations in global commodity prices and has contributed to economic

challenges such as poverty, unemployment, and inequality. The problem, therefore, is how to address the negative impact of primary exports, particularly crude oil, on the Nigerian economy and promote diversification in other sectors to reduce the country's economic challenges. In addition to the neglect of other sectors of the economy, the reliance on crude oil exports has also led to environmental degradation and social unrest in Nigeria. The oil industry has caused significant damage to the environment, particularly in the Niger Delta region, where oil spills have contaminated water sources and farmland, leading to health problems for local communities (UNDP, 2006). The neglect of other sectors of the economy has also contributed to social unrest in the country, as many Nigerians have been left without access to basic amenities such as education and healthcare.

Furthermore, the over-reliance on crude oil exports has also led to political instability in Nigeria. The government's dependence on oil revenues has led to mismanagement and mismanagement of resources, which has contributed to political instability in the country (Adekunle, 2015). The lack of diversification in the economy has also made the government more susceptible to the impact of fluctuations in global commodity prices, leading to economic instability and political unrest.

1.3 Objectives of the Study

The objectives of the study is to investigate the impact of Primary Exports on Underdevelopment in Nigeria: A Case Study of Crude Oil.

The following research objectives would serve as a guide in the study

1. Determine how export of crude oil as Nigeria's primary product impact the country's overall economic development and underdevelopment
2. Examine the social and environmental consequences associated with Nigeria's heavy reliance on crude oil exports, and how do they contribute to underdevelopment
3. Examine the key political challenges and governance issues in Nigeria's crude oil sector, and how do they hinder the country's development efforts?
4. Find out how lack of diversification affects the Nigeria's economic growth
5. Ascertain the strategies and policies can be implemented to mitigate the negative effects of crude oil export and promote sustainable development in Nigeria, considering the underdevelopment challenges associated with this primary product

1.4 Research Questions

The following research questions will guide the study and provide a framework for analyzing the impact of primary exports, specifically crude oil, on underdevelopment in Nigeria and by addressing these research questions, the study will provide insights into the challenges facing the Nigerian economy and identify potential solutions for promoting sustainable economic growth.

1. How does the export of crude oil as Nigeria's primary product impact the country's overall economic development and underdevelopment?

2. What are the social and environmental consequences associated with Nigeria's heavy reliance on crude oil exports, and how do they contribute to underdevelopment?
3. What are the key political challenges and governance issues in Nigeria's crude oil sector, and how do they hinder the country's development efforts?
4. How does lack of diversification affects the Nigeria's economic growth?
5. What strategies and policies can be implemented to mitigate the negative effects of crude oil export and promote sustainable development in Nigeria, considering the underdevelopment challenges associated with this primary product?

1.5 Scope and Limitation of the Study

The scope of this study is to examine the impact of primary exports, specifically crude oil, on underdevelopment in Nigeria. The study will focus on the negative effects of the over-reliance on crude oil exports on other sectors of the economy, environmental degradation, social unrest, and political instability. The study will also explore the potential for diversification in the Nigerian economy and identify strategies for promoting sustainable economic growth that reduces the country's dependence on crude oil exports.

The study will utilize a case study approach to analyze the impact of crude oil exports on underdevelopment in Nigeria. The case study will involve a review of relevant literature, including academic articles, reports, and other relevant sources of information. Additionally,

the study will draw on primary data collected through interviews with experts in the field, government officials, and other relevant stakeholders.

The study will focus primarily on the period from the 1970s, when Nigeria began to rely heavily on crude oil exports, to the present day. This period is critical for understanding the impact of primary exports on underdevelopment in Nigeria, as it covers the period during which Nigeria experienced significant economic challenges, including poverty, unemployment, and inequality.

Overall, the scope of the study is to provide a comprehensive analysis of the impact of primary exports, specifically crude oil, on underdevelopment in Nigeria.

1.6 Significance of the Study

The study is significant for several reasons:

Addressing a pressing issue: The study addresses a critical issue that has been a significant challenge for the Nigerian economy for decades. The over-reliance on crude oil exports has resulted in economic stagnation, environmental degradation, social unrest, and political instability. The study will contribute to a better understanding of the impact of primary exports on underdevelopment in Nigeria.

Providing insights into diversification: The study will provide insights into the potential for diversification in the Nigerian economy. It will identify strategies for promoting sustainable economic growth that reduces the country's dependence on crude oil exports.

Informing policy decisions: The study will provide policymakers and other stakeholders with valuable information on the negative impact of crude oil exports on underdevelopment in Nigeria. It will help policymakers to make informed decisions on policies and strategies for promoting economic growth and reducing the country's dependence on crude oil exports.

Contributing to academic knowledge: The study will contribute to academic knowledge on the impact of primary exports on underdevelopment in developing countries. The findings of the study was useful for researchers and scholars interested in economic development and international trade.

Promoting sustainable development: The study will promote sustainable development by identifying strategies for reducing the negative impact of crude oil exports on the Nigerian economy and society. The study will help to promote a more sustainable and inclusive development path for Nigeria.

Awareness: The study will raise awareness among the general public about the negative impact of crude oil exports on the Nigerian economy, environment, and society. This increased awareness can lead to public pressure for policymakers to take action and promote sustainable economic growth.

International implications: The study has international implications as Nigeria is one of the largest oil-producing countries in the world. The findings of the study can be useful for other developing countries that rely on primary exports, particularly oil exports. The study can help

to inform policy decisions in these countries to promote sustainable economic growth and reduce dependence on primary exports.

Business implications: The study has business implications as it can help businesses operating in Nigeria to better understand the challenges facing the Nigerian economy and identify potential opportunities for diversification. The study can also help businesses to adopt sustainable business practices and contribute to the promotion of sustainable economic growth in Nigeria.

Human development: The study has implications for human development as it can contribute to the reduction of poverty, inequality, and social exclusion in Nigeria. By promoting sustainable economic growth, the study can contribute to the creation of employment opportunities, improvement of living standards, and reduction of social and economic inequalities.

Environmental implications: The study has environmental implications as it can help to identify strategies for reducing the negative impact of crude oil exports on the environment. The study can help to promote sustainable environmental practices, reduce carbon emissions, and address climate change.

CHAPTER TWO

LITERATURE REVIEW

2.1 Concept of Underdevelopment

In the social sciences, certain regions of the world are referred to as being underdeveloped; this word sprang to prominence in the late 1940s. As Meier (2001) has remarked, in the 18th century, adjectives like "rude" and "barbarous" were used to evaluate and describe these regions prior to this. These countries were located in Asia, Africa, and Latin America. These labels were abandoned in favor of new ones like "backward" and "primitive" in the 19th century. In the 20th century, new terms like "underdevelopment" and "developing" were employed, especially after the Second World War if the earlier terms were also replaced.

Currently, it has been argued that undeveloped countries should be replaced with terms like "less developed", "developing", "poor", and emerging countries. According to Rodney (1972), the purpose of this suggestion is "to avoid any unpleasantness which may be attached to it," which could be taken as include physical defects like mental and moral underdevelopment.

It has also been suggested that the prior offensive terminology be replaced with milder ones like "developing" or "emergent," which are less objectionable. The west

interprets this as a premeditated plan or ruse to cover up or falsely identify economic stagnation and exploration in underdeveloped areas. For instance, it is argued that using terms like "developing" instead of "underdeveloped" creates the false impression that these nations are improving and thereby growing, and that if the proper policies are put in place, sooner or later, these nations will undoubtedly catch up with the developed nations of the world.

The Marxist Theorist prefers to refer to the less developed regions of the world by the term "underdevelopment" in light of this supposition. This is because the label of "underdevelopment" is thought to best capture the exploitation and state of stagnation that characterize these countries. We'll now look at what the term "underdevelopment" means.

2.1.1 Underdevelopment: The Marxist Perspective

According to radical scholars, it is incorrect that underdevelopment implies primitivism, backwardness, or a lack of underdevelopment. This is due to the fact that all people have matured in some manner and to varying degrees. The claim that it is a natural process to the radical human-made process and a manifestation of a lengthy economic and political link between these countries and the advanced industrialized portions of the world is equally incorrect. The radical scholars hold a different perspective from the bourgeois scholars, who maintained that nature and internal reasons rather than capitalism were what

caused underdevelopment. Dependency theorists contend that capitalism, which ensures exploitation, is to blame for underdevelopment.

This claim has been supported by logic, factual presentation, and empirical evidence in addition to empirical backing. For instance, Frank (1978) stated: "Underdevelopment is not simply non-development, but is a unique type of socio-economic structure brought about by the integration of the concerned society into the sphere of the advanced capitalist countries," in support of the idea that underdevelopment is caused by the interaction between internal structures. According to radical scholars, the same dynamic that encourages progress in industrialized regions of the world also deceives development and leads to underdevelopment in third-world nations. Or to put it another way, the rate of development in the third world has increased as a result of the inclusion of third world nations in global capitalism. Sunkel (1969) articulates this position beautifully when he says, "We postulate that development and underdevelopment are two faces of the same universal process, and what its geographic expression is translated into two great polarizations on the one hand, one polarization of the world between industrial, advanced developed, and metropolitan countries and underdeveloped, backward, poor, peripheral, and dependent countries, and on the other, polarization of the world between underdeveloped, backward, poor, peripheral, and dependent countries."

Other distinguished Marxist thinkers have expressed similar sentiments. Frank (1966), Jaguaribe (1969), Dos Santos (1970), Podrey (1972), Cotton (1972), Kay (1989) and Celso (2002) are the most assertive. They have claimed, with varying degrees of emphasis, that foreign intrusion is one of the causes of underdevelopment. Based on these principles, they maintained that underdevelopment is a state of backwardness, retardation, and economic distortion caused by the exploration and looting of developing-world economies as a result of their integration into global capitalism. This notion of underdevelopment has compelled Rodney to declare that; A second and arguably more important component of modern underdevelopment is that it expresses a specific exploitation relationship, namely, exploitation of one country by another. All of the countries named “under-developing is exploited by the other and underdevelopment with which the world is now preoccupied is a product of capitalism.

2.2 Concept of Dependency

The notion of "dependency," coined by a Brazilian sociologist Fernando Hennisge Caidoso, aids in connecting both and political analysis, that is, it connects people who benefit from progress with those who make decisions. Dependency essentially means that critical economic decisions are made not by developing countries, but by outsiders whose interests are rigorously protected. Foreigners utilize their economic might to buy political authority in

the countries into which they expand. Political pressures, imperialist monopolies, or even military involvement may be involved. This alliance of aliara economic and political power undermines the economies and policies of the dependent countries. Political alliances between foreign bourgeoisie are emerging as a result of this predicament. The process is now complete since, just as the metropolis as a whole exploits the colonies, the domestic colonial bourgeois class exploits the rest of the people. The concept of "dependency" is steeped in uncertainty. This explains why the phrase has so many definitions. According to Ian Roxborough, dependency was originally defined as "the observers side of a theory of imperialism." Implicit in this creation is the idea that imperialism has two faces. The first symbolizes colonial powers, while the others represent "imperialized" or dependent countries. In this sense, dependency theories were thought to have the potential to explain the social and economic processes that happened in "imperialized" or dependent countries.

The aforesaid idea of dependency must have been affected by V.I. Lenin's imperialism postulation. Lenin, the first scholar to adopt the term "dependency," argued that capitalism imperialism is a manifestation of the fight of colonial countries for economic and political dominance, as well as the division of the world. He observed that not only are there two major kinds of countries, those that own colonies and the colonies themselves, but there

are also other types of dependent countries that are technically independent but are in actuality entangled in a web of financial and diplomatic dependency (OECD, 2007).

The character of reliance as a logical manifestation of imperialism is simply captured by Lenin's statement. It does not provide sufficient knowledge for an in-depth operationalization of the notion; numerous definitions have been proposed by scholars. P. O. Brien stated in his contribution that "dependent countries are those that lack the capacity for autonomous growth, and they lack this because their structures are dependent ones." This viewpoint appears to be shared by Bill Warren (2007), who claims that "dependency" represents the complex socioeconomic relationship that binds the advanced capitalist countries of the "center" (the United States of America, Japan, Western Europe) and the Latin American countries of the "periphery" in such a way that the movements and structures of the former decisively determine those of the latter in a way that is somehow detrimental to the economic progress of Latin American society.

Dependency is defined as Dos Santos (1970) is the most astute and succinct. It summarizes the key ideas of the most radical scholars in the field. Dependence, according to Dos Santos, is a scenario in which one country's economy is conditioned by the development and expansion of another economy to which the former is dependent. When some nations (the dominant ones) can only accomplish this as a reflection of the growth, which can have

either a favorable or negative influence on their immediate development, the relationship of interdependence between these and world commerce takes the shape of dependence. Sunkel (1969) added on Dos Santos' position, claiming that foreign elements are perceived not as external but as internal to the system, with numerous and often concealed or subtle political, financial, economic, technological, and cultural repercussions within the underdeveloped country. Thus, the term of "dependency" connects the post-war international rise of capitalism to the discriminatory nature of the well-known local development process. Access to the means and rewards of development is selective rather than widespread, ensuring a self-perpetuating accumulation of privilege for privileged groups as well as the survival of a marginal class.

Other uses of the term "Dependency" have been simplified by Ian Rox Borough to two main approaches: dependency as a relationship or as a conditioning for circumstances that modify the internal working parts of the dependent social formation. Regardless of how one views reliance, it indicates a kind of parasitic relationship that exists between highly industrialized countries and less developed countries in a way that ensures the former's continuing growth to the cost of the latter. An example could be drawn from Nigeria's oil and gas sector, where we see how we take variable time and money to export our natural resources to be refined in developed or industrialized countries; and after being refined in

these places, it is imported back to the home nation, where it is distributed and sold at a higher price, despite the fact that the oil is naturally obtained from this country. As a result, we now pay more for what is naturally ours, robbing us of the opportunity to enjoy our natural resources. It is now recognized that we exploit our natural resources to optimize the economy and suffer, or rather pay more, to obtain what is ours.

As previously stated, dependency means that critical economic decisions are made not by the countries being "developed," but by foreigners whose interests are assiduously guarded; foreigners utilize their economic strength to buy political authority in the country into which they enter. Examples could be collected from the IMF, SAP, World Bank, and so on. The Western world adopted this strategy, which appeared as a means to develop most African states, particularly Nigeria, and as a result, Nigeria and most African states became indebted to these European nations, and as a result, the debts owned by these developing nations increased over time and became a reary task for the developing nations due to their inability to pay backs. Because their structures are dependent, Nigeria and indeed the whole of Africa are presently unable to achieve autonomous growth. Dependency can be viewed or defined as an explanation of a state's economic development in terms of foreign effects, both political and economic, on national development (Abraham, 2010).

2.3 Background of Nigeria's Oil and Gas

Nigeria discovered oil in the Niger Delta region in 1956, a vast coastal zone located in the southern part of the country. It is currently the twelfth largest oil producer globally and an important supplier of Liquefied Natural Gas (LNG). Oil and gas play a vital role in the nation's revenue, economy, and overall survival, accounting for approximately 40% of the Gross Domestic Product (GDP) and 70% of government revenues. In 2003, oil and gas contributed to 80.6% of total federal government receipts (Lawal, 2004)

Initially, a joint operation between Royal Dutch Shell and British Petroleum, both British companies, began oil production in 1958. Subsequently, other foreign oil companies joined the industry in the 1960s after Nigeria gained independence and shortly after experienced a civil war. The rapid expansion of the oil industry was accompanied by controversy, with criticism focusing on the exportation of financial proceeds and mismanagement rather than addressing the needs of the millions living in poverty in the Niger Delta or mitigating the industry's impact on the local environment. An infamous incident occurred in 1970 when a major oil spill in Ogoni land, located in the southeast of Nigeria, resulted in the spillage of thousands of gallons of oil onto farmland and rivers. Shell was later fined £26 million by Nigerian courts, 30 years after the incident. According to the Nigerian government, more than 7,000 spills occurred between 1970 and 2000 (Vaughan, 2011).

Prior to 1970, agriculture served as the main driver of the Nigerian economy. From 1960 to 1970, the agricultural sector contributed around 50% of the GDP and employed 72% of the labor force (World Bank, 1975). Nigeria held significant positions in the export of various agricultural products during this period, being the world's largest exporter of groundnut, the second-largest exporter of cocoa and palm produce, and an important exporter of rubber, cotton, hides, and skins (World Bank, 1975). For instance, in 1970, the country produced 305,000 tons of cocoa, 800,000 tons of palm oil and kernel, and over one million tons of groundnut (CBN, 2000). More than 50% of Nigeria's total export earnings came from the agricultural sector before the 1970s (Olusi & Olagunju, 2005). Although infrastructure, particularly in the education sector, was developed during this period, there was also significant waste. The ease of access to imported consumer goods hindered industrialization, resembling the "Dutch disease." Industrial projects developed using the import substitution model faced failure (Bevan, Collier, and Gunning, 1999).

According to Collier (2007), resource wealth can sometimes contribute to a conflict trap, and the surplus generated from natural resource exports can hinder economic growth. He discusses the case of Nigeria in the 1970s, where increased oil revenues made other exports, such as agriculture, unprofitable. He explains how the Dutch disease can harm the growth process by diverting attention from potential export sectors in the economy. The first half of the 1980s witnessed a significant oil boom in Nigeria, leading to excessive

government borrowing and investment in wasteful projects, which further exposed the country's mismanagement. As the global oil prices crashed in 1986, Nigeria experienced a drastic reduction in oil revenues while simultaneously facing a substantial increase in external debt. The introduction of the structural adjustment program (SAP) was one of the government reforms recommended by international financial institutions to reduce Nigeria's dependency.

The discovery of oil in the Niger Delta region initially brought hope to Nigerians, indicating the potential for economic development shortly after gaining independence. However, it also posed a significant danger as oil revenues exacerbated existing ethnic and political tensions in the country. This tension culminated in the civil war that lasted from 1967 to 1970. During the war, literature emerged reflecting the hostility, impact, and fate of the oil industry. Nigeria managed to survive the war and subsequently regained a substantial portion of the oil revenues in the 1970s.

Following the war, there was an oil boom that lasted for approximately three years, leading to an influx of money into the country. This sudden wealth enabled the implementation of various developmental plans. Post-war literature shifted its focus to analyzing the global phenomenon known as the "oil shock," which encompassed both the boom and bust of the oil industry. The oil shock, which began in 1973 and affected Nigeria until the mid-1980s, initially had positive implications for the country. However, due to mismanagement and military rule, it eventually resulted in an economic disaster. The

burgeoning middle class that emerged during the 1970s oil boom grew disillusioned in the 1980s and rebellious in the 1990s. The profound impact of the oil shock drew considerable scholarly attention. For nearly twenty years (1970s-1990s), there was a strong focus on analyzing the consequences of oil on Nigeria using various models and theories.

A group of writers with radical perspectives delved into topics such as nationalization during the oil shock and the connections between oil and an activist foreign policy. Regarding the latter, the emphasis was placed on Nigeria's strategic alliance formation within Africa, its efforts to establish the Economic Community of West African States (ECOWAS), and the country's use of oil as a political weapon, particularly in the liberation of South Africa from apartheid. While many had hoped that oil would transform Nigeria into an industrial power and a prosperous nation with a large middle class, their expectations were shattered as the formerly wealthy country became a debtor nation by the 1980s. The abruptness of the economic difficulties in the 1980s had a detrimental effect on class relations and the oil workers who were well-versed in the industry's dynamics. During this period, writings on oil workers covered various interconnected issues, including working conditions, strikes, and state labor relations. Labor issues were not new in the 1980s, as left-oriented scholars had previously exposed labor relations during the colonial era. However, the focus shifted to oil workers, unions, and class conflict after 1980 (OPEC annual Report, 1983).

2.4 Oil Export and Mismanagement in Nigeria's Economy

The Nigerian economy heavily relies on oil exports, which many economic theorists consider as the driving force behind its growth and development. Historical evidence supports the notion that crude oil exports play a crucial role in the development process, often leading to significant increases in gross domestic product. Despite the country's reliance on crude oil exports, some economists advocate for diversifying into other sectors, such as non-oil exports, to enhance economic growth and development (Odularu, 2008). Although numerous exports occur in the oil sector each year, the Nigerian government has yet to achieve its primary goals in the upstream oil and gas industry.

Indigenous companies in Nigeria have a vested interest in the oil sector and aim to support the government's objectives both domestically and internationally. However, these companies face financial challenges that prevent them from operating effectively. As a result, major international oil companies have seized the opportunity to invest in Nigeria's deep offshore oil reserves. The Nigerian oil sector has long grappled with security challenges, particularly in the Niger Delta region, where the main oil reserves are located. Since the introduction of the amnesty program on June 25, 2009, the security situation in the Niger Delta has improved, enabling both domestic and international oil companies to participate in bidding for oil blocks (Ogoni Bill of Rights, 1990).

Stakeholders in the petroleum sector argue that the Nigerian oil industry could have been comparable to those in the Western world if not for issues such as mismanagement,

crude oil theft, insecurity, inadequate infrastructure, environmental pollution, funding challenges, and delays in passing the Petroleum Industry Bill (PIB). A report by Clara Nwachukwu and Michael Eboh, 2003 highlights the relative success of the upstream sector within the energy value chain, despite ongoing struggles in other sectors (Ololade, 2016). Despite the challenges facing the oil sector, Nigeria has managed to generate significant profits from both the upstream and downstream sectors. Oil exports account for approximately 90 percent of the country's revenue, with the upstream sector contributing about 75 to 80 percent.

Resolving the issues surrounding the Petroleum Industry Bill (PIB) within Nigeria's oil governing bodies, such as the NNPC and the federal government, would significantly address other challenges in the oil and gas sector and promote its overall development.

Export-supporting policies have significantly contributed to the GDP growth of several developing nations, including China, Korea, Pakistan, South Africa, and possibly Nigeria. The relationship between export trade theory and GDP has been a topic of estimation in the past, but it has become clearer in recent times, as citizens of these nations have started to recognize the impact (Olusi and Olagunju, 2005). The African Development Bank recently reported that Africa has been experiencing high economic growth over the past two decades. In 2005, the average GDP growth rate was around 5 percent, which increased to 5.5 percent in 2006. Currently, Nigeria's GDP rate has surpassed that of South Africa, making it the

largest economy in Africa after witnessing a significant increase in GDP for the first time in two decades.

Nigeria's legal system stands out as more advanced compared to other African nations, earning it the title of the "giant of Africa." When examining the nominal GDP data from 2010 to 2013, it is important to note that the GDP estimates have been recorded based on a base year of 1990. This means that the current Gross Domestic Product is expressed in the 1990 base price of goods and services (Oviasuyi and Uwadiae, 2010).

In the past, the agricultural sector played a significant role in contributing to the Nigerian economy until the discovery of crude oil, which took over as the dominant sector in terms of export and its contribution to the total GDP. However, the performance of Nigeria's agricultural output has been relatively unimpressive compared to other African countries with whom they once competed.

The relationship between economic growth and exports was first highlighted by the renowned economist Adam Smith in his book "The Wealth of Nations." According to Nigerian economist Prof. Udabah (2002:207), exports create and promote more avenues for injecting money into the economy. Consistent exportation of goods and services generates more income for the exporting country. Other researchers such as Feder (1982), Lucas (1988), Edwards (1992), Balassa (1978), Esfahani (1991), and Rodrik (1999) have argued that exports lead to the reallocation of public sector resources toward more efficient trade-related

activities. This reallocation enables the dissemination of new management and production techniques throughout the economy.

Research by Giles and Williams (2000a, 2000b) suggests that exports provide the necessary currency for importing capital and intermediate goods, which, in turn, stimulates the formation of beneficial capital to support domestic production expansion and overall output growth. They further note that the entire economy benefits from the dynamics of growth in the export sector.

According to Helpman, Krugman (1985), and Boomstorm (1986), international trade plays a crucial role in promoting specialization in the production of export products. This specialization leads to increased productivity and a general improvement in skills within the export sector. Chenery and Strout (1996) further argue that an increase in exports has a positive impact on the balance of payments, resulting in expanded foreign currency reserves. This, in turn, allows for greater imports of capital goods and necessary facilities, facilitating the growth of domestic production.

Mismanagement can be defined as the illicit acquisition of power or wealth, with the aim of personal gain at the expense of the public. It is not limited to the public sector, such as politics and democracy, but can be found in various aspects of life, including religious institutions. Researchers have observed that mismanagement has a significant negative impact on Nigeria's economy. Mismanagement is not a recent phenomenon but has existed

throughout history (Lipset and Lenz, 2000). It has permeated not only the government sector but also the crucial oil sector, which is considered the engine of economic growth. In fact, mismanagement has become so widespread in Nigeria that it almost appears to be legalized (Gire, 1999).

Despite the substantial revenues generated from oil exports, the country still faces high levels of poverty and unemployment. This problem arises due to corrupt practices among the leaders who manage these oil firms, in collusion with the country's ruling politicians. Politicians, oil firm directors, and managers are often viewed as the primary culprits in embezzling funds. Revenue from crude oil is not adequately disclosed or monitored, payments to the government for resource exploration are kept secret, and oil and gas companies safeguard the identities of their shareholders and subsidiaries, facilitating the concealment of stolen funds. The lack of transparent financial reporting and country-specific information by most oil firms allows them to hide the amount of fees, taxes, and royalties paid (Ploeg, 2010).

Economists and policymakers recognize that mismanagement has a significant detrimental effect on Nigeria's economy. Mismanagement has persisted throughout the years and will continue to do so unless the government devises effective solutions to address it. Mismanagement in the oil industry is challenging to measure, and there is limited empirical economic research on the subject. However, some researchers have started examining

mismanagement indices provided by private rating agencies, which gather information from consultants working with oil firms (Ross, 2003). These indices show a high correlation among different agencies, indicating the importance of this information and its potential impact on the economy. The fact that oil firms pay high prices for these indices indirectly suggests their significance.

Paolo (1997) argues that public mismanagement is often linked to government interventions in the economy. Policies aimed at stabilizing, deregulating, and privatizing can reduce opportunities for corrupt practices. When the government enforces regulations, individuals who are unwilling to comply with the law may offer bribes to officials to bypass or avoid these regulations. If officials frequently accept bribes, it undermines the system and contributes to increasing levels of mismanagement.

In Nigeria, the majority of oil firms are controlled by multinational companies, and they often award contracts to other oil servicing firms. When these firms require supplies for oil production, they issue tenders, and multiple oil servicing firms express their interest in securing the contract. In an ideal economic scenario, the contract would be awarded to the bidder who can deliver a good and high-quality product for effective production (Tamuno, 2011). However, in countries like Nigeria, the bidding process is often tainted by bribery, as bidders attempt to bribe officials, such as procurement officers, in order to secure the contract for themselves.

This corrupt practice has negative consequences because if a servicing firm that has won the contract cannot provide the quality products required, it will adversely affect the quality of oil production during that particular period, thereby impacting the economy.

Non-oil sectors, such as agriculture, also play a significant role in the development of Nigeria's economy. Agriculture has traditionally been the backbone of the Nigerian economy even before the exploration of oil began. In 1998, agriculture contributed a substantial 92.8% to the economy, while its lowest contribution was recorded in 1981 at 19.6%. The contribution of agriculture to total exports has shown a negative relationship between 1981 and 1985. However, researchers have noted that there was a negative growth rate in agricultural exports until the Structural Adjustment Program (SAP) was introduced (UNDP, 2006).

The unsatisfactory performance of the agricultural sector has resulted in a decrease in the contribution of non-oil exports to Nigeria's economy. There are several reasons for the sector's underperformance. Firstly, unfavorable weather conditions have significantly reduced agricultural output, negatively impacting the economy. Secondly, government agencies responsible for implementing the right policy measures have not effectively carried out their duties (UNDP, 2021). This could be due to a lack of proper orientation within the institutions involved in policy implementation, such as research institutes, commodity boards, credit agencies, and input procurement and distribution institutions.

Thirdly, many of the macroeconomic policy measures adopted by the government have placed agriculture at a disadvantage. For instance, excessive government spending and an increase in money supply lead to inflation and higher labor costs, which in turn affect the agricultural sector. The value of the Nigerian currency (Naira) has also put agriculture in an uncompetitive position in the global market. The government's subsidies on local prices have not been remunerative and have discouraged the increase in agricultural production in the country (Victor, 2017).

The response of the federal government towards non-oil exports, particularly in the agricultural sector, has been discouraging. However, there have been notable contributions to the agricultural sector, such as Chief Olusegun Obasanjo's Ota Farm. Established in 1979, the Ota Farm has played a significant role in stabilizing and improving non-oil exports, despite the challenges faced by the sector. Chief Olusegun Obasanjo, during the 30th Anniversary of Ota Farm in 2009, expressed his belief that the farm will continue to excel in agricultural production, food processing, and efficient distribution of food resources in Nigeria and other parts of the world (Oyesanmi, 2011).

During the same anniversary, Rev. (Dr) Kwabena Darko, the chairman of Darko Farms and Company Ltd in Ghana, emphasized the importance of achieving food security in the 21st century. He stated that any nation failing to prioritize measures for food security is essentially heading towards self-destruction. Therefore, if Ota Farm, with its modest impact

on non-oil exports, can make a positive difference, it implies that the economy can benefit further when the government sponsors more individuals willing to invest in the agricultural sector and other sectors such as wholesale and retail trade, services, building and construction (WTO, 2010). This would not only contribute to economic improvement but also ensure food security for the entire nation.

2.5 Nigerian Economy and its Reactions to Changes in Oil Export

The Nigerian economy experienced a significant shift with the discovery and subsequent exportation of oil in 1958. This coincided with Nigeria's independence from its colonial ruler. Oil quickly became the primary source of revenue for the country, surpassing other sectors over a span of more than 50 years. It accounted for over 30 percent of Nigeria's GDP, more than 90 percent of its exports, and approximately 80 percent of government revenue (Ogbonna, Appah, 2012; Charles et al., 2009).

Prior to the discovery of oil, Nigeria relied on agricultural products like cocoa and other crops as its main sources of government revenue. However, with the lucrative gains from oil production, less attention was given to the agricultural sector. The newfound wealth from oil overshadowed the focus on developing and diversifying other sectors of the economy, leading to a heavy dependence on oil revenue.

It is important to note the significant impact oil exports had on Nigeria's economy, shaping its revenue streams, export composition, and government income. However, this heavy reliance on oil also exposed the economy to vulnerabilities associated with fluctuations in global oil prices and the challenges of managing a mono-product economy.

The over-reliance on crude oil revenue has indeed been a common practice in Nigeria for many years, leading to the neglect of other available resources and potential sources of

revenue. This heavy dependence on oil has resulted in financial crises for the country on several occasions.

Before the discovery of crude oil, Nigeria's economy was primarily agrarian, with exports of various cash crops such as cocoa, coffee, groundnut, oil palm, cassava, maize, cotton, rubber, soya beans, kola nut, cashew, timber, and more. However, the discovery of oil led to a shift in focus, and the agricultural sector received less attention (Usman, Madu and Abdullahi, 2015).

Nigeria is a resource-rich country, with diverse mineral deposits including gold, iron ore, coal, limestone, and significant oil reserves of about 37.2 billion barrels, as well as vast natural gas reserves of 187 trillion cubic feet (African Economic Outlook, 2013). The country was producing about 2.3 million barrels of oil daily between 2010 and 2015, although this production was impacted by the activities of militant groups such as the Niger Delta Avengers in the Niger Delta region. Since 2015, the Nigerian economy has experienced a slowdown due to the fall in oil prices that began in 2014. The GDP dropped from over 500 billion dollars in 2014 to around 480 billion dollars in 2015 and further to approximately 405 billion dollars in 2016, representing continuous declines of about 15% in both years (World Bank Data). This demonstrates the vulnerability of Nigeria's economy to fluctuations in oil prices.

The over-reliance on oil revenue has limited the diversification and development of other sectors in Nigeria, making the economy more susceptible to external shocks. Exploring strategies to reduce dependence on oil and promote the development of other sectors becomes crucial for achieving a more sustainable and resilient Nigerian economy (Usman, Madu and Abdullahi, 2015).

Indeed, the discovery of crude oil in Nigeria led to a heavy dependence on oil revenue as the major source of government earnings and foreign exchange. With crude oil accounting for over 80% of annual government earnings, other sectors have been neglected, and their development has been hindered. The government's focus on oil has diverted attention and resources away from diversifying the economy. As a result, the revenue generated from oil has often been insufficient to meet the financial needs of the government at all levels. This has created a situation where the state and local governments have become overly reliant on oil revenue, exacerbating the vulnerability of the economy to fluctuations in oil prices (Davis, 2013). Whenever there is a significant or even a minor drop in petroleum prices, the Nigerian economy is exposed to financial turbulence. This overdependence on oil revenue makes the country susceptible to external shocks and leaves it vulnerable to economic instability. The lack of diversification in revenue sources hampers the ability of the government to effectively respond to fluctuations in oil prices and protect the economy from their adverse effects. To achieve a more resilient and sustainable economy, it is crucial for the Nigerian government to

reduce its overreliance on oil revenue and prioritize the development of other sectors (Usman, Madu and Abdullahi, 2015). Diversifying the economy and promoting the growth of non-oil sectors will not only reduce the impact of oil price fluctuations but also stimulate overall economic development and create employment opportunities for the population.

2.6 Historical Financial Crises in Nigeria from Oil Exportation

It is correct noting that fluctuations in oil prices are a common occurrence due to the volatile nature of the crude oil market. These price fluctuations have significant implications for oil-producing countries like Nigeria. Numerous studies have examined the relationship between oil price volatility and various macroeconomic variables, highlighting the profound impact that oil price fluctuations can have on these economic factors (Smith, 2011). For oil-importing economies, a decrease in oil prices can be beneficial as it leads to cost savings in energy consumption. This, in turn, can result in increased consumer spending or savings that can be redirected towards other goods and services. Lower oil prices can stimulate economic growth and provide relief to consumers in oil-importing nations (Smith, 2011).

However, for oil-exporting countries like Nigeria, a crash in oil prices can have adverse effects. Since oil revenue is a major source of government earnings and foreign exchange, a sharp decline in oil prices can lead to a significant reduction in government revenue and foreign exchange earnings. This can create fiscal challenges, budget deficits, and economic instability for the country. It can also impact the exchange rate, balance of

payments, and overall economic performance (Sach and Warner, 2001). The dependency on oil revenue makes oil-exporting countries more vulnerable to the fluctuations and volatility of the global oil market. To mitigate these risks, it is important for oil-dependent economies to diversify their revenue sources and promote the growth of non-oil sectors. By reducing dependence on oil and developing a more diversified and resilient economy, countries like Nigeria can better withstand the impact of oil price fluctuations and ensure more stable and sustainable economic growth (Stokes and Anderson, 1990).

When oil prices fall, the government faces challenges in adjusting its budget as it heavily relies on oil revenue. The decrease in oil prices leads to a reduction in government revenue, resulting in budget deficits and a limitation on government spending, including the ability to undertake capital projects. The annual budgets are often benchmarked on forecasted oil prices per barrel, and any oil price lower than the benchmark can create financial difficulties for the country.

Additionally, disruptions in oil production, whether caused by external factors like production quotas imposed by OPEC or internal factors like militancy activities, can further exacerbate the challenges faced by the Nigerian economy in financing its budget. Reduced oil production leads to a decline in government revenue and affects the overall economic stability of the country (Jones, 2018). These dynamics emphasize the importance of diversifying the Nigerian economy and reducing its dependence on oil. By developing other

sectors and sources of revenue, Nigeria can mitigate the adverse effects of oil price fluctuations and production disruptions, and promote more sustainable and resilient economic growth.

2.7 Effects of Oil Export Crises on the Foreign Exchange Market, Interest Rate and Goods Markets

Similar to 1970s and 1980s crises, the recent financial crisis that started in 2015 had many severe effects as they all have same root problem, crude oil.

2.7.1 Foreign exchange market

During the oil price boom that commenced in 2012, there was a subsequent oil price shock characterized by an unprecedented decline. This abrupt drop in oil prices had detrimental effects on the Nigerian economy, which heavily relies on oil as its primary source of revenue. As a result, various essential commodities, including rice from countries like Thailand and Brazil, as well as raw materials and semi-finished industrial goods, had to be imported. Surprisingly, despite being an oil-producing nation, Nigeria still imported petroleum products such as petrol, diesel, and kerosene. The government heavily depended on revenue generated from crude oil sales, which also served as the primary source of foreign currency earnings (Adeleke, Monica and Moses, 2012). Consequently, as the oil prices plummeted, there was a significant decline in foreign currency earnings. Naturally, the

government's supply of United States dollars was insufficient to meet the high local demand, causing the price of the US dollar and other major currencies such as the Euro and British Pound to surge due to the interplay of Nigerian factors and basic supply and demand economics (Cory, 2004).

As a result of the government's failure to implement effective policies to address the shortage of foreign exchange supply, the foreign exchange market in Nigeria became fragmented into distinct segments, including the "Black Market," the "Official Market," and "Bureau De Change" (BDC), also known as the Parallel Market. Each market catered to different customer segments, with the official market offering the most favorable rates but being inaccessible to the majority of the population. Consequently, black market operators took advantage of the limited access to official rates and profited immensely (Cory, 2004). Many businesses that operated primarily in foreign currencies or relied on imported raw materials faced challenges such as high operational costs or a complete lack of foreign currencies, leading to their collapse. Some businesses significantly reduced production, while others opted to relocate to neighboring countries like Ghana.

The segmentation of the foreign exchange market also deterred potential investors due to the lack of clarity and transparency. Foreign direct investment in Nigeria declined as a result. Many investors withdrew their funds from Nigeria, and several businesses, including airlines, either ceased operations or reduced their services (Santana and Nascimento, 2012).

Notably, United Airlines from the United States and Iberia from Spain were among the many companies that suspended their operations in Nigeria. This was primarily due to the difficulty in repatriating their sales revenues to their respective countries caused by the scarcity of foreign currencies in Nigeria.

As the economy faced mounting challenges, numerous manufacturing companies reduced their production activities, and some businesses suspended operations altogether. Consequently, there was a significant increase in layoffs, leading to a drastic rise in the unemployment rate. The economy suffered continuous setbacks as the backlog of foreign currency demand continued to grow, while the Naira remained pegged at an official rate of 197 Naira to a Dollar—a policy widely criticized (Victor, 2017). Despite calls from the International Monetary Fund (IMF) and numerous experts both domestically and internationally, the government refused to devalue the Naira and insisted on maintaining control over the exchange rates. This resulted in an overcrowded market with different rates and further exacerbated concerns about the future of the Naira and the overall economy.

When the Central Bank of Nigeria (CBN) eventually allowed the Naira to float, its depreciation deepened due to various malpractices and irregularities that had already plagued the forex market. Consequently, an economic recession became inevitable. In August 2016, the Minister of Finance, Kemi Adeosun, officially declared Nigeria to be in a recession, a month after it was reported to be in technical recession.

This statement by the finance minister was officially confirmed by the National Bureau of Statistics, which reported a decline in GDP of -2.06% in the second quarter of 2016. Additionally, the annual inflation rate rose to 17.1% in July 2016 from 16.5% in June 2016, with food inflation increasing to 15.8% from 15.3%. The economic downturn persisted until there was an improvement in oil prices, and the Central Bank of Nigeria (CBN) continued to intervene by increasing the weekly supply of foreign currencies (Victor, 2017). The National Bureau of Statistics officially announced that the economy had emerged from recession in September 2016. In the second quarter of 2017, the GDP recorded growth of 0.55%. This economic recovery was attributed to improved performance in the oil sector, non-oil sectors such as agriculture, manufacturing, and trade, according to data from the National Bureau of Statistics.

2.7.2 Goods market

The Nigerian market is heavily reliant on foreign goods, as a significant portion of the goods consumed locally is imported from overseas. Only a few goods are produced domestically, and even those are often made using imported raw materials. The US dollar is the most sought-after currency in the country. However, when the supply of dollars decreased due to the drop in oil prices, the demand for dollars exceeded the available supply. As a result, local production of consumer goods declined because local manufacturers had to pay significantly higher amounts, often double or more, to acquire dollars for their imports. This

led to increased production costs, making consumer goods excessively expensive (Helmi and Rashid, 2013).

Simultaneously, the prices of imported goods also rose, as importers struggled to purchase the necessary dollars at higher exchange rates to continue importing goods from abroad. Many importers gradually went out of business due to the unfavorable exchange rates. The increased costs of goods, both domestically produced and imported, contributed to inflation, and the purchasing power of the Naira further deteriorated over time.

2.7.3 Money market

The recent crisis also had an impact on the money market. As the scarcity of major foreign currencies such as the US dollar, euro, and British pound intensified and contributed to inflation, the Central Bank of Nigeria opted to increase the country's interest rates as a measure to mitigate the rising inflation. However, this policy was met with significant criticism from many experts and analysts (Economic Crisis, 2017). The central bank governor, on the other hand, believed that the policy would help stabilize the depreciating Naira.

The success of such a policy would have been more likely if the inflation in Nigeria during that period was primarily caused by an excess supply of money. However, the inflation was mainly driven by increased costs of importation and production due to the scarcity of dollars and other major currencies. Therefore, the policy failed to produce the desired outcome. From 2013 to 2015, the annual inflation rate averaged 8.5%, but by the end

of 2016, it had risen to 15.6%. In 2017, the average inflation rate stood at 16.8% (Economy-06 November 2017). It reduced to 11.4% in 2019, increased to 13.25% in 2020, a further rise to 16.95% in 2021 and increased to 18.85% in 2022 (Sasu, 2023).

2.7.4 Interest rate

As a response to the crisis in the money market and the rising inflation rates, policymakers in Nigeria decided to raise the interest rates. This move was seen as the means to counteract inflation. Consequently, lending rates, interbank rates, and interest rates in general witnessed a significant increase. The Central Bank of Nigeria raised the lending rate from 11% to a record high of 14% within a span of six months (Economic Crisis, 2017).

The high interest rates drew widespread criticism from various groups, who argued that the rates in Nigeria were disproportionately high compared to the single-digit and historically low interest rates in the Eurozone and the United States. The effects of these increased rates were felt across the entire economy. The government, being a major borrower, and manufacturers were particularly affected by the credit market problems. Loans became not only unreasonably expensive but also difficult to obtain due to significant hurdles in the borrowing process.

In Zenith Bank, one of the largest banks in the country, there was a focus on granting loans to operators in the Information and Communication Technology (ICT) sector, with an

interest rate of 23% per annum. Other banks, such as WEMA Bank, with a smaller lending capacity, offered loans with a prime rate of 29%, which was exceptionally high. Similarly, smaller banks followed suit, resulting in Fidelity Bank charging an interest rate of 36% for ICT operators (Economic Crisis, 2017).

2.8 Impact of Oil Exportation on Agricultural Production

Nigeria was a predominantly agrarian economy with agriculture accounting for significant shares of the GDP and total exports, as well as employing the bulk of the labour force. Since inception and in the 1960's, the Nigeria's main domestic product was agriculture which provided the country with employment and foreign exchange earnings but the sector was just over taken by the oil boom that began in the 1970's and this hampered its contribution to the Nigerian economy (National Bureau of Statistics, 2012). Historically, from the moment the oil boom began, there has been a steady decline in the market share of the agricultural productivity in Nigeria and it has been largely ignored in favour of the oil and gas industry.

Agriculture is the backbone of the rural economy such as Nigeria which is characterized as an engine that contributes to the growth of the economy but the sector is still identified with low agricultural outputs despite the country's fertile landmass partly due to the over dependence of government on oil which characterized Nigeria as a mono-cultural economy. Currently, Nigeria has 75% of its land suitable for agriculture, but only 40%

remained cultivated (Omorogiuwa et al, 2014). Agricultural sector is an important stimulus market for industrial products – both in terms of backward and forward linkages to industry.

A strong empirical correlation has been established between Nigerian’s total GDP and the agriculture which suggests that the prospects of the non-oil sub-sector and the overall economy are closely tied to the performance of the agricultural sector. The growth and development of the agricultural sector in any economy is pertinent for national output growth through its influence from indigenous incomes, provision of resources for industrial needs and foreign exchange earnings leading to transformation of such an economy.

Several evidences have shown the importance of agriculture to the national growth and development of Nigeria considering its contributions to the GDP. Oji-Okoro (2011) examined the impact of the agricultural sector on the Nigerian economy between the periods of 1986-2007. The study employed a multiple linear regression technique for analysis and the result indicated that there is a positive relationship between GDP vis-à-vis domestic saving, government expenditure on agriculture and foreign direct investment. It was revealed in the study that 81% of the variation in GDP could be explained by domestic savings, government expenditure on agriculture and FDI.

Oji-Okoro argued further that with Nigeria’s rich endowment in black oil and other mineral resources, the economic sustenance still largely rest on the agricultural sector as it employs

about 65% of the adult labour force. Majorly, the agro-industrial enterprises depend on the sector for raw materials while 88% of the non-oil exports earning come from the sector, so it remains the leading employment sector of the vast majority of the Nigerian population as it employs two-third of the labour force.

More importantly, the fact that agricultural sector contributes up to 90% of non-oil foreign exchange earnings position it at the heart of strategy for economic transformation and diversification from oil revenue (Eboh, 2011). He pointed that between the periods of 1983-2002, the adverse effects of the oil sector volatility have been moderated by agricultural value added in the country but since GDP per capita reached its minimal in 1984, agricultural GDP per capita increased by over 30% to 2002. Appalling indicators have shown that agriculture sector spending has been erratic as it contributes an annual average of more than 32% of GDP from 2002-2007.

Tombofa (2004) affirmed that the active existence and performance of agriculture is of great significance to the growth and development process. He noted that the basis for the world's great civilization and the increase in productivity around the world is agriculture which also sustained the first industrial revolution. The agricultural sector is known to employ over 75% of the labour force in developing countries and Nigeria is not an exemption to this assertion.

Ukeji (2003) further acknowledged that in the 1960's, agriculture contributed up to 64% to the total GDP but retrogressively decline in the 1970's to 48% and falls to 20% in 1980 and 19% in 1985 as a result of oil discoveries in large quantity coupled with economic mismanagement pronounced in these periods. Similar research was also conducted by Olajide et al. (2012) to measure the relationship between agricultural resource and economic growth in Nigeria. The Ordinary Least Square regression method was used for data analysis and the result ascertained a positive cause and effect relationship between GDP and agricultural outputs. Agricultural sector was estimated to contribute more than 30% to the GDP between 1970 and 2010 which implied that agricultural sector for the period of analysis has significant influence on macroeconomic output level.

In fact, due to oil prices collapse and the financial crisis in the 1980's, it led to decreased government revenue which affected the growth of the agricultural sector but Structural Adjustment Policy (SAP) was implemented by the Nigerian government chiefly aimed to stabilize the economy including the agricultural sector did not prove successful (IFPRI 2010). Although the agricultural policies established over the years by the Nigerian government have not been successful but agriculture sector continues to heavily influence GDP and economic growth. In the recent time, agribusiness appears to be the new frontier to

improve economy as it has become the country's new strategy towards economic growth and development.

2.9 Production-Consumption Disarticulation in Nigeria

One of the significant development crises resulting from the externally oriented system of production imposed during colonial rule is the disarticulation or dislocation of the Nigerian economy (Ake, 2002). A disarticulated economy refers to an incoherence in the backward and forward movement of the nation's economy, where the different sectors or parts are not complementary. In a coherent economy, there is regional and sectorial complementarity and reciprocity, with interdependence between regions and sectors. For example, one region specializes in agriculture while another supplies manufactured goods to the agricultural sector, creating forward and backward linkages in production (Ake, 2002).

However, the colonial and postcolonial Nigerian economy lacks these linkages, complementarity, and reciprocity. Colonial economic policies favored the production of selected raw materials and cash crops for foreign industries, rather than promoting local industrial production. This inhibited local industrialization and led to a distortion of local food production. Local food producers primarily grow food for subsistence, resulting in limited exchanges and weak market mechanisms, as food production is focused on use-values rather than exchange-values (Okosun et al., 2016).

This disarticulation of the economy has negative implications, not only for the country's manufacturing capacity but also for its ability to overcome food insecurity challenges for its growing population. Disarticulated economies in least developed countries are characterized by an "extroverted" focus, where economic production primarily targets exportable goods and durable goods demanded by foreign markets. When these exportables and durable goods are sold in the domestic market, their prices often exceed the purchasing power of the majority of the population (Haung, 1995). This lack of correspondence between production and consumption patterns hinders consumer spending and ultimately hampers overall economic growth. As a result, the Nigerian economy has become monolithic, relying heavily on crude oil and a few cash crops as the main sources of foreign exchange earnings, with limited capacity for manufacturing and food production (Amin, 1976). This narrow economic base further exacerbates the challenges faced by the country in achieving sustainable economic and social progress.

2.10 Empirical Reviews

According to a journal on the International Competitiveness of the Russian Federation (Victor, 2017), the Dutch Disease originated from the appreciation of the Dutch currency (guilder) in the late 1950s, which occurred due to the gas export boom. This led to inflation, resulting in reduced competitiveness and profitability for the manufacturing and service sectors. Consequently, Dutch exports relative to GDP experienced a significant decline

during the 1960s. The expansion of gas exports during that period not only displaced other manufacturing exports but also significantly decreased total Dutch exports compared to GDP.

The Dutch Disease's effects can be observed in the contracting manufacturing and agricultural sectors, increased unemployment, worsened inflation, and unfavorable exchange rates. Ross (1999) describes the Dutch Disease as a phenomenon that combines two effects commonly observed after resource booms. The first effect involves the appreciation of a country's real exchange rate due to a sharp increase in exports. The second effect is the tendency of a booming resource sector to attract capital and labor away from the manufacturing and agricultural sectors, leading to higher production costs in these sectors. Together, these effects can cause a decline in the export of agricultural and manufacturing goods while inflating the cost of goods and services that cannot be imported.

In the case of Nigeria, a major crude oil exporter, the country continues to suffer from these economic challenges. The manufacturing sector is underperforming, the agricultural sector is in a state of decline, unemployment rates are high, inflation is rampant, and the exchange rate is unfavorable. Additionally, poor political leadership exacerbates these issues. Thus, all the symptoms outlined in the Dutch Disease theory can be observed in the Nigerian economy. The Dutch Disease serves as a significant economic obstacle that hinders the country's development and perpetuates a disjointed economic regime, impeding overall economic progress.

Ross (1999) further explores additional economic and political effects associated with the resource curse. These effects include a decline in terms of trade, volatility in international resource prices leading to instability in the international primary resource market, and weak economic linkages between resource and non-resource sectors. Politically, the resource curse also has significant implications. Ross (1999) and Ploeg (2010) identify the following political effects on the state: cognitive problems, growth-impeding interests, and weakening of state institutions. Cognitive problems arise in resource-exporting states when leaders, both in the public and private sectors, become overwhelmed by the revenue boom and lose sight of how to effectively utilize the substantial income. Ross (1999) describes this cognitive effect as resulting in "myopic sloth or myopic exuberance" among policymakers. For instance, Ross (1999) mentions how development scholars such as Wallich and Levin criticized leaders in a sugar-exporting state for adopting a development path driven by a "sugar mentality," which led to lax economic planning and insufficient diversification. Nurske and Watkins also suggested that resource rents fostered "irrational exuberance," leading to a "get-rich-quick mentality" among businessmen and shortsightedness among policymakers, characterized by excessive optimism and frantic retrenchments.

The concept of cognitive effects was popularized by Bodin in the Six Books of a Commonwealth, where he argued that individuals from fertile and abundant lands tend to become effeminate and cowardly, while those from barren countries become temperate out of

necessity, and consequently, more diligent, vigilant, and industrious. Ross (1999) argues that "easy wealth leads to either paralysis or shortsighted euphoria among policymakers" due to the cognitive effect. Reflecting on Nigeria, it becomes evident that the country is afflicted with the adverse effects of the resource curse. Additionally, there is a social effect associated with the resource curse, whereby resource booms increase the political influence of non-state actors who support policies that impede growth. Import substitution and subsidy policies in Nigeria serve as examples of such "growth-impeding" policies that hinder economic progress and allow interest groups to retain control over resources for their own selfish ambitions.

The resource curse also encompasses the state-centered effect. This effect suggests that when governments heavily rely on resource rents, they tend to forgo taxing their citizens, leading to reduced accountability and weakened public institutions (Ross, 1999). Development scholars such as Bourguignon and Verdier (2000), Isham (2003), Sala-i-Martin and Subramanian (2003), Robinson (2006), Acemoglu and Robinson (2006), and Mehlum (2006), as cited by Ploeg (2010), argue that economies dominated by primary resources weaken state institutions through increased institutional mismanagement, hindering technological and institutional advancements, and impeding the redistribution of political power to the middle class. This situation prevents the adoption of growth-promoting policies and deteriorates the quality of institutions as governments pacify dissent, avoid accountability, and resist modernization.

Weakening state institutions can also occur through the granting of privileges to cronies, making access to political power more costly, and enticing voters with well-paid yet unproductive jobs. Additionally, the bonanza of primary resources encourages productive entrepreneurs to shift their focus to rent-seeking behavior and align themselves with rent-grabbing-friendly institutions.

Further studies by Ascher (1999) reveal that primary resources often suffer from exceptionally poor governance, as state officials can easily manipulate their use for unpopular, controversial, or illegal objectives. This manipulation has resulted in various negative consequences, ranging from deforestation in Indonesia to the collapse of the Mexican water system, the destruction of cocoa farms in Ghana, and the mismanagement of Nigeria's oil wealth. The collective findings of these scholars suggest that primary resources can generate substantial revenues, but the failure to manage them effectively and efficiently leads to the resource curse.

In summary, Oviasuyi and Uwadiae (2010) state that Nigeria is the world's 13th largest oil producer and the 6th largest within OPEC. From 1970 to 1999, oil contributed nearly \$231 billion to the Nigerian economy, accounting for 21 to 48 percent of GDP. Nigeria possesses an estimated oil reserve of 32 billion barrels, sufficient for 37 years at the current production rate. Between 2000 and 2004, oil revenues accounted for approximately 79.5 percent of total government revenues and about 97 percent of foreign exchange revenues.

However, this increase in oil wealth has not translated into significant improvements in living standards in Nigeria. In fact, the rise in poverty and inequality has coincided with the discovery and export of oil in the country. This has led to widespread acceptance that Nigeria has fallen victim to the resource curse (Oviasuyi, 2010). Therefore, Nigeria is indeed suffering from the resource curse.

2.11 Theoretical Framework

2.11.1 Dependency Theory – Theoretical Analysis

This project is anchored on the dependency theory of underdevelopment, which was chiefly developed and popularized by Andre Gunder Frank (1976, 1981) and Samir Amin (1976; 1974). According to Dos Santos (1970), dependency is an historical condition which shapes a certain structure of the world economy such that it favors some countries to the detriment of others and limits the development possibilities of the subordinate economies...a situation in which the economy of a certain group of countries is conditioned by the development and expansion of another economy, to which their own is subjected.

In buttressing this, Ake (2002) posited that "an economy is dependent to the extent that its position and relations to other economies in the international system and articulation of its internal structure make it incapable of auto-centric development" (p. 55). In essence, economic dependency refers to the lack of capacity and inability of a country to control its productive processes such that the country's economy depends on foreign economy for

direction and control through regulations and foreign economic institutions which directly or indirectly regulate its growth or expansion.

Historically, third-world economic dependence is tied to Western European capitalist expansion and Imperialism. European capitalist expansion was necessitated primarily by the internal contradictions of capitalism in Europe, or what Lenin (1917) referred to as the crises of profitability as reflected in reducing consumption capacity of the ever increasing mass production of goods; increasing cost of labor and increasing cost of raw materials. The panacea for these profitability crises according to Lenin (op cit.) required economic expansion overseas to open up new regions for investments, which will in turn guarantee cheap source of raw materials, access to cheap foreign labor and access to new global consumer markets. This process culminated to the integration of the hitherto self-sufficient third world countries into the world capitalist system and subsequent exploitation and underdevelopment of the third world. However, on the flip side this same process aided the growth of industrial capitalism in the West in a bid to meet the aforementioned needs at the expense of the third world (Webster 1989:70).

In examining this dynamics, Frank (1981) asserted "development and under development are two different sides of a universal historical process". To him the same process of capitalist expansion which led to development in Europe and America, led to underdevelopment in the third world or what he termed the 'development of

underdevelopment'. Webster Andrew (1989) and Kwame Nkrumah (1965) delineated this process into historical epochs namely: Mercantile Capitalism (1650-1850); Colonialism (1850-1960s) and Neo-Colonialism (Post Independence).

In his analysis of third world dependency, Frank (1976) divided the world capitalist economy into two major components namely the metropolis and satellite. This typology is synonymous with Immanuel Wallerstein's (1976) center and periphery world systems classification. The thrust of the dependency theory is the position that third world or peripheral countries are underdeveloped and poor because their economy were fused into the center capitalist economy through the aforementioned historical processes thereby leaving them dependent on the core economies (Randall and Theobald 1998). The capitalist world economic system is organized to ensure a perpetual domination of the periphery by the core and dependence of the periphery on the core thereby ensuring a continual flow of economic surplus from the satellite/periphery to the metropolis/center (Eme, 2013).

The dependency perspective suggests that periods of mercantile capitalism and colonialism forced specialization of production on third-world countries that was primarily export-oriented, limited in range, and geared to the raw material needs of imperial powers (Webster 1989). Hence, Frank (1976) argued that there exists a "chain of dependency" running from the highly advanced centers of the world, a hierarchy of "metropolises" with their subordinate "satellites," through which economic surplus is passed upwards within a

nation and then internationally (Webster, op cit.). Walter Rodney (1972; 2005), with reference to the African experience, further posited that "the operation of the imperialist system bears major responsibility for African economic retardation by draining African wealth and by making it impossible to develop more rapidly the resources of the continent, and secondly, the emergence of an elite class in the third world known as compradors who benefit from the exploitation of the third world has compounded the development crises of the satellites".

The dependency syndrome has several manifestations in the third world, and accordingly, Eme (2013) identified four possible dependency mechanisms most frequently suggested in the current dependency literature: exploitation through repatriation, elite complicity, structural distortion/disarticulation, and market vulnerability. The implications of dependency on third-world development are numerous, and one such implication is that while center countries can develop through self-growth, the third world, being dependent, can only expand if the dominant metropolis expands. Moreover, such expansion is regulated and controlled by the metropolis, as any expanded surplus will automatically pass upward from the satellite to the metropolis. In light of this, dependency theorists argue that the only way forward for the third world is to break the chain of dependency through which surplus is transferred to the West. This can be achieved by the working class in the third world through

a socialist revolution that will remove the comprador elite, the weak link in the chain (Webster 1989:86; Rodney 1972).

2.11.2 Dutch Disease: Conceptual and Theoretical Consideration

In the literal meaning of the term, this simply refers to a disease that affected the Dutch economy (present day Holland) although, this meaning is not far-fetched from the actual meaning of the term. A disease simply refers to an abnormal functioning condition of a system especially internally which can protrude externally. It is a known fact that a disease develops internally before it finally extends to the outer (external) system. One simple way to describe the term “Dutch Disease” is that it exists when a contrast occurs between external health and internal ailment (Kiev, 2014).

The Dutch Disease theory can be used to explain Nigeria's dependency on oil exports and how it has affected the country's economy. The Dutch Disease theory suggests that countries rich in natural resources, such as oil, may experience negative economic consequences due to the over-reliance on the export of these resources. In the case of Nigeria, the discovery and subsequent exploitation of oil reserves have had significant implications for the country's economy. Nigeria heavily depends on oil exports as a major source of revenue, with oil accounting for a substantial portion of the country's export earnings and government revenue. This heavy reliance on oil has led to several adverse effects on Nigeria's economy. One of the primary impacts is the phenomenon known as "Dutch Disease." When a country

experiences a significant influx of revenue from a particular sector, such as oil exports, it can lead to an appreciation of the country's currency (Otaha, 2012). In Nigeria's case, the influx of oil revenues has led to an appreciation of the Nigerian Naira, making non-oil exports less competitive in the global market. As a result of the appreciation of the currency, Nigeria has witnessed a decline in the competitiveness of its non-oil sectors, such as agriculture and manufacturing. The focus on oil exports has led to a neglect of these sectors, which has hampered their growth and diversification. Consequently, Nigeria has become overly dependent on oil as the main driver of economic growth, leaving the country vulnerable to fluctuations in global oil prices.

Furthermore, the heavy reliance on oil revenues has had adverse effects on Nigeria's fiscal management and governance. The government's overdependence on oil revenues has resulted in a lack of diversification in revenue sources and fiscal instability. When global oil prices fluctuate, Nigeria's economy suffers, leading to budget deficits, reduced public investment, and an inability to fund essential social programs (Odularu, 2008). This vulnerability to oil price shocks has contributed to economic volatility and hindered sustainable long-term development.

Moreover, the concentration of wealth and power in the oil sector has resulted in income inequality and the neglect of other sectors of the economy. Nigeria's oil wealth has not been effectively distributed to benefit the broader population or foster inclusive growth.

The oil sector has been associated with mismanagement, rent-seeking behavior, and a lack of transparency and accountability (Olusi, and Olagunju, 2005). These factors have hindered the development of other sectors, perpetuated inequality, and impeded Nigeria's overall economic progress.

Nigeria's dependency on oil exports, as explained by the Dutch Disease theory, has had significant consequences for the country's economy. The over-reliance on oil has led to an appreciation of the currency, the neglect of other sectors, fiscal instability, income inequality, and governance challenges (Oyesanmi, 2011). To mitigate these negative effects, Nigeria needs to diversify its economy, promote non-oil sectors, strengthen fiscal management, enhance governance and transparency, and prioritize inclusive and sustainable development strategies.

.CHAPTER THREE

RESEARCH METHODOLOGY

This chapter deals with methods adopted in carrying out this study. It shall be discussed under the following sub-headings:

- ❖ Design of the Study
- ❖ Population of the Study
- ❖ Sample and Sampling Technique
- ❖ Research Instrument
- ❖ Validity of the Instrument
- ❖ Reliability of the Instrument
- ❖ Method of Data Collection
- ❖ Method of Data Analysis

3.1 Design of the Study

This study is a descriptive research based on the survey design. Descriptive survey design was considered appropriate for this study because the study only observed the Primary Products Export and Underdevelopment in Nigeria: A Case Study of Crude Oil' and no variable was manipulated. It would also afford the researcher to use representative samples that captured the entire population of the study.

3.2 Population of the Study

Professors, researchers, and scholars specializing in economics, development studies, political science, or energy studies can provide theoretical frameworks, empirical studies, and scholarly insights on the topic. Therefore population for this study includes all the academic staffs of the Department of Political Science and Department of Economics in the University of Benin, Benin City, Edo State.

3.3 Sampling and Sampling Techniques

Twenty (20) respondents from the departments were selected for this study. Nineteen (19) out of the twenty distributed questionnaires were found valid and used for analysis. The department of political science and economics. Lecturers from the department of political science and economics who holds the knowledge on the research area regarding the concept of economic development as influenced by foreign and domestic policies would be used. The purposive sampling technique was used to select respondents from the two (2) sampled departments.

3.4 Research Instrument

The research instrument used in this study is a Questionnaire titled **“Primary Products Export and Underdevelopment in Nigeria: A Case Study of Crude Oil (PPEUN:ACSCO)”**. The questionnaire was structured into sections A and B. Section A consists of the demographic data of the school. Section B consists of the questions formulated

for the study. The section was divided into four clusters; Cluster 1, Cluster 2, Cluster 3, Cluster 4 and Cluster 5. The response format for the five (5) clusters was a four likert scale requiring the respondents to answer either Strongly Agree (SA), Available (A), Agree (A) Disagree (D) and Strongly Disagree (SD).

3.5 Validity of the Instrument

The instrument was studied and appraised by the project supervisor to ensure that the items adequately measured the purpose of the study. The final instrument was prepared taking into consideration the correction made.

3.6 Reliability of the Instrument

To ensure the reliability of the instrument, the test-retest method will be used. This would be done by administering questionnaires to three persons from the sample selected. After two weeks, the same instrument would be administered to the same respondents and analyzed using Pearson's Product Moment Correlation Coefficient. The result obtained 0.79 proved the reliability of the instrument.

3.7 Method of Data Collection

The researcher administered the questionnaire directly to the respondents and they were retrieved from the respondents after the questionnaires had been answered.

3.8 Method of Data Analysis

For the purpose of this study, the statistical tool of mean and standard deviation was used to analyze the data collected. The mean rating of 2.50 was used for decision point, such item less than 2.50 was rejected, while any item rating equal or above 2.50 was accepted. The hypothesis will be tested using regression analysis from the Social Science Statistical Package (SPSS) version 20.

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSION OF FINDINGS

This chapter focuses on data analysis and discussion of findings. The chapter is divided into three sections. Section A deals with demographic data of respondents, Section B is on research questions, and section C deals with the discussion of findings.

4.1 Presentation of Results

Section A: Demographic Data

Table 4.1: Percentage Distribution of the Respondents' Sex

Sex	Frequency	Percentage (%)
Male	13	65.0
Female	7	35.0
Total	20	100.0

Source: Field work, 2023

The above table shows percentage and frequency distribution of the sex of the respondents. Male respondents are 13 making 65.0% of the respondents, while the female respondents are 7 making 35.0% of the respondents. This shows that there are more respondents from the male gender.

Table 4.2: Percentage Distribution of Respondents' Age group

Age	Frequency	Percentage (%)
25 & Under	2	10.0
26-35	3	15.0
36-55	11	55.0
Above 55	4	20.0
Total	20	100.0

Source: Field work, 2023

The above table shows percentage and frequency distribution of the age group of the respondents. 10.0% of the respondents are within the age group of 25 years and under, 15.0% of the respondents are within the age 26-35, 55.5% of the respondents are within the age 36-55, while 20.0% of the respondents are within the age group above 55.

Section B: Answering the Research Questions

Research Question One: How does the export of crude oil as Nigeria's primary product impact the country's overall economic development and underdevelopment?

Table 4.3: The Export of Crude Oil as Nigeria's Primary Product and Its Impact to Economic Development and Underdevelopment

Item	SA	A	D	SD	Mean (X)	SD	Decision
Crude oil export significantly boosts Nigeria's economic growth and development	10	6	3	1	3.25	0.69	Accepted
Over-reliance on crude oil exports does not hinder the diversification of Nigeria's economy and contribute to underdevelopment	5	3	9	3	2.50	0.78	Accepted
Foreign investment in the crude oil sector significantly promotes Nigeria's economic development and mitigates underdevelopment challenges	5	2	4	9	2.15	0.46	Rejected

From the above table, it is observed that the mean ranges from 2.15 to 3.25 with an average mean of 2.70, while the standard deviation ranges from 0.46 to 0.78 to give a decision that crude oil export significantly boosts Nigeria's economic growth and development, and over-reliance on crude oil exports does not hinder the diversification of Nigeria's economy and contribute to underdevelopment.

Research Question Two: What are the social and environmental consequences associated with Nigeria's heavy reliance on crude oil exports, and how do they contribute to underdevelopment?

Table 4.4: Social and environmental consequences associated with Nigeria's heavy reliance on crude oil exports, and how do they contribute to underdevelopment

Item	SA	A	D	SD	(X)	SD	Decision
Crude oil extraction and production minimally contribute to environmental degradation and pollution in Nigeria	10	6	1	3	3.15	0.63	Accepted
The reliance on crude oil exports does not significantly contribute to social unrest and conflicts within Nigeria	3	3	9	5	2.20	0.59	Rejected
Local communities in oil-producing regions are comparable to non-oil-producing regions in terms of basic infrastructure and social services	8	5	5	2	2.95	0.25	Accepted

From the above table, it is observed that the mean ranges from 2.20 to 3.15, with an average mean of 2.68, while the standard deviation ranges from 0.25 to 0.63 to give a decision that crude oil extraction and production minimally contribute to environmental degradation and pollution in Nigeria, and the reliance on crude oil exports does not significantly contribute to social unrest and conflicts within Nigeria.

Research Question Three: What are the key political challenges and governance issues in Nigeria's crude oil sector, and how do they hinder the country's development efforts?

Table 4.5: Key Political Challenges and Governance Issues in Nigeria's Crude Oil Sector

Item	SA	A	D	SD	(X)	SD	Decision
The local population residing near oil fields faces minimal health risks and public health impacts due to oil extraction activities	4	11	3	2	2.85	0.61	Accepted
Mismanagement within the crude oil sector minimally impedes Nigeria's development initiatives	9	4	4	3	2.95	0.48	Accepted
Rent-seeking behavior among political elites has a negligible impact on the effective management and equitable distribution of oil wealth in Nigeria	3	4	6	7	2.15	0.52	Rejected

From the above table, it is observed that the mean ranges from 2.15 to 2.95, with an average mean of 2.55, while the standard deviation ranges from 0.52 to 0.61 to give a decision that the local population residing near oil fields faces minimal health risks and public health impacts due to oil extraction activities, mismanagement within the crude oil sector minimally impedes Nigeria's development initiatives, and rent-seeking behavior among political elites has a negligible impact on the effective management and equitable distribution of oil wealth in Nigeria.

Research Question Four: How does lack of diversification affects the Nigeria’s economic growth?

Table 4.6: The Lack of Diversification & the Nigeria’s Economic Growth

Item	SA	A	D	SD	(X)	SD	Decision
Nigeria's economic growth is minimally affected by its heavy reliance on a single primary product	11	5	3	1	3.30	0.62	Accepted
The lack of diversification minimally limits employment opportunities and hinders job creation in Nigeria	10	6	2	2	3.20	0.59	Accepted
The lack of diversification minimally hinders Nigeria's ability to attract foreign direct investment (FDI) and promote sustainable economic development	11	4	3	2	3.20	0.53	Accepted

From the above table, it is observed that the mean ranges from 2.58 to 2.98, with an average mean of 2.78, while the standard deviation ranges from 0.53 to 0.62 to give a decision that Nigeria's economic growth is minimally affected by its heavy reliance on a single primary product, lack of diversification minimally limits employment opportunities and hinders job creation in Nigeria, and the lack of diversification minimally hinders Nigeria's ability to attract foreign direct investment (FDI) and promote sustainable economic development.

Research Question Five: What strategies and policies can be implemented to mitigate the negative effects of crude oil export and promote sustainable development in Nigeria, considering the underdevelopment challenges associated with this primary product?

Table 4.7: Strategies & Policies Implemented To Mitigate the Negative Effects of Crude Oil Export & Promote Sustainable Development in Nigeria

Item	SA	A	D	SD	Mean (X)	SD	Decision
Economic diversification initiatives can significantly reduce Nigeria's reliance on crude oil exports and contribute to sustainable development	10	5	3	2	3.15	0.58	Accepted
Transparent and accountable governance frameworks can effectively ensure equitable distribution of oil wealth and minimize mismanagement within the crude oil sector	9	7	3	1	3.20	0.64	Accepted
Social programs and initiatives can significantly address socioeconomic inequalities and improve the well-being of communities affected by crude oil extraction activities	8	8	3	1	3.15	0.76	Accepted

From the above table, it is observed that the mean ranges from 3.15 to 3.20, with an average mean of 3.18, while the standard deviation ranges from 0.58 to 0.76 to give a decision that economic diversification initiatives can significantly reduce Nigeria's reliance

on crude oil exports and contribute to sustainable development, transparent and accountable governance frameworks can effectively ensure equitable distribution of oil wealth and minimize mismanagement within the crude oil sector, and social programs and initiatives can significantly address socioeconomic inequalities and improve the well-being of communities affected by crude oil extraction activities.

4.2 Discussion of Results

Research question 1 sought to determine how export of crude oil as Nigeria's primary product impact the country's overall economic development and underdevelopment. It was found that crude oil export significantly boosts Nigeria's economic growth and development, and over-reliance on crude oil exports does not hinder the diversification of Nigeria's economy and contribute to underdevelopment, Over-reliance on crude oil exports does not hinder the diversification of Nigeria's economy and contribute to underdevelopment, and foreign investment in the crude oil sector does not significantly promotes Nigeria's economic development and mitigates underdevelopment challenges. These findings agree with Warner, (2001) who stated that the curse of natural resources is as a result of fluctuations in global oil prices due to exposed Nigeria's vulnerability to external shocks. According to him, this overreliance on oil revenue has fueled mismanagement, mismanagement, and inequality, exacerbating underdevelopment and inhibiting inclusive progress.

Research question 2 sought to examine the social and environmental consequences associated with Nigeria's heavy reliance on crude oil exports, and how do they contribute to underdevelopment. It was find out that crude oil extraction and production minimally contribute to environmental degradation and pollution in Nigeria, and the reliance on crude oil exports does not significantly contribute to social unrest and conflicts within Nigeria.

This findings agree with Aigbedion, & Iyoha, (2005) who indicated that mismanagement, eroded governance, and exacerbated conflicts over resource control cause widespread pollution, deforestation, and degradation which affect the ecosystems and livelihoods. They further stated that these consequences perpetuate underdevelopment by diverting resources away from social services and sustainable economic activities. Also, Ikelegbe, (2005) opined that the lack of diversification and overemphasis on oil has hindered investments in sectors that could drive inclusive growth. He further stated that addressing these challenges requires comprehensive strategies that prioritize equitable wealth distribution, sustainable practices, and economic diversification for a more resilient and developed Nigeria.

Research question 3 sought to examine the key political challenges and governance issues in Nigeria's crude oil sector, and how do they hinder the country's development efforts. It was find out from the analysis that local population residing near oil fields faces health risks and public health impacts due to oil extraction activities, mismanagement within the

crude oil sector minimally impedes Nigeria's development initiatives, and rent-seeking behavior among political elites has a huge impact on the effective management and equitable distribution of oil wealth in Nigeria.

This findings agree with Adesoji, (2007) who opined that widespread mismanagement, lack of transparency in revenue allocation, and inadequate regulatory frameworks have fostered a culture of mismanagement and rent-seeking behaviors. He further stated that ethnic and regional tensions often intersect with the distribution of oil revenues, exacerbating social and political divides.

Also, in line with the findings, Ikelegbe, (2005) stated that the misalignment between political interests and national development objectives undermines effective governance and perpetuates a cycle of underdevelopment. According to Ikelegbe, (2005), The issues in the politics of crude oil in Nigeria include the establishment of state laws (as indicated earlier) that enabled the FGN to take over crude oil as a federal resource. The implication of these laws is that crude oil and indeed any other mineral resource, found in the Niger Delta or elsewhere, belongs to the FGN, which therefore controls all revenues accruable from the resource.

Therefore, the regions or states where the resources are located have limited access to oil revenue. This has remained a source of trouble between Nigeria and the oil states which have consistently called for the abrogation of these laws

Research question 4 sought to find out how lack of diversification affects the Nigeria's economic growth. It was find out from the analysis, that Nigeria's economic growth is minimally affected by its heavy reliance on a single primary product, lack of diversification minimally limits employment opportunities and hinders job creation in Nigeria, and the lack of diversification minimally hinders Nigeria's ability to attract foreign direct investment (FDI) and promote sustainable economic development. This findings agree with Adejumo (2018) who emphasize that diversification can mitigate the negative impact of oil price shocks and promote balanced growth in Nigeria's economy. Also, Oke, (2018) stated that overdependence on crude oil exports exposes the country to the volatility of global oil markets, rendering its growth trajectory vulnerable to price fluctuations. He further stated that failure to diversify into other sectors, such as manufacturing, agriculture, and technology, stifles innovation, job creation, and sustainable development.

Research question 5 sought to ascertain the strategies and policies can be implemented to mitigate the negative effects of crude oil export and promote sustainable development in Nigeria, considering the underdevelopment challenges associated with this primary product. It was find out from the analysis that the economic diversification initiatives can significantly reduce Nigeria's reliance on crude oil exports and contribute to sustainable development, transparent and accountable governance frameworks can effectively ensure equitable distribution of oil wealth and minimize mismanagement within the crude oil sector,

and social programs and initiatives can significantly address socioeconomic inequalities and improve the well-being of communities affected by crude oil extraction activities. This findings agreed with Ugwu, (2017) who opined that strengthening governance and transparency in the oil sector through robust regulatory frameworks and accountability mechanisms can mitigate mismanagement and ensure effective resource management. Also, this agreed World Bank, (2020) who stated that with Diversifying the economy by investing in non-oil sectors, such as agriculture, manufacturing, and technology, can reduce dependence on oil revenues and create a more resilient economic foundation.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary

The purpose of this study was to find out the impact of Primary Exports on Underdevelopment in Nigeria: A Case Study of Crude Oil. The sample size of the study is 30 respondents selected from the department of political science and economics. The sample was selected using the simple random sampling technique.

The research instrument used in this study was a Questionnaire titled “**Primary Products Export and Underdevelopment in Nigeria: A Case Study of Crude Oil (PPEUN:ACSCO)**”. The questionnaire was structured into sections A and B. Section A consists of the demographic data of the lecturers. Section B consists of the 20 questions formulated for the study

In order to effectively carry out this research work, five (5) research questions were raised to guide this study. They include

1. How does the export of crude oil as Nigeria's primary product impact the country's overall economic development and underdevelopment?
2. What are the social and environmental consequences associated with Nigeria's heavy reliance on crude oil exports, and how do they contribute to underdevelopment?

3. What are the key political challenges and governance issues in Nigeria's crude oil sector, and how do they hinder the country's development efforts?
4. How does lack of diversification affects the Nigeria's economic growth?
5. What strategies and policies can be implemented to mitigate the negative effects of crude oil export and promote sustainable development in Nigeria, considering the underdevelopment challenges associated with this primary product?

The findings from this study reveal that crude oil export significantly boosts Nigeria's economic growth and development, and over-reliance on crude oil exports does not hinder the diversification of Nigeria's economy and contribute to underdevelopment, and that transparency and accountable governance frameworks can effectively ensure equitable distribution of oil wealth and minimize mismanagement within the crude oil communities in improving the well-being of people affected by crude oil extraction activities.

5.2 Conclusion

Nigeria is blessed with crude oil as a natural resource. It has been a source of the bulk of government's funding. Despite the huge funds it provides to government, the political leadership of Nigeria has not been able to translate this into the development of the country. This is as a result of the resource curse which inflicts its effects and consequences on the people. One of its afflictions is poor political leadership in the management of the natural

resource, which has led to the underdevelopment of the country, more acute in the Niger Delta region where crude oil is produced. As a result, agitations and conflicts in arms abound.

Nigeria's political leadership needs to urgently tackle the resource curse and commence immediately the remediation of the age-long damages caused by this curse and begin a new Nigeria with keen interest in true development anchored on good governance.

Also, Nigeria's heavy reliance on crude oil exports has brought about significant social and environmental consequences, contributing to underdevelopment. Socially, this dependency has led to income inequality, as oil revenues often fail to trickle down to the majority of the population. Moreover, it has fueled mismanagement, eroded governance, and exacerbated conflicts over resource control. Environmentally, oil extraction and production have caused widespread pollution, deforestation, and degradation, impacting ecosystems and livelihoods.

The prevailing narrative about Nigeria's ongoing underdevelopment is often presented as a stark contrast between two opposing frameworks: on one side, there are perceptions of corrupt and self-serving African leaders, while on the other, there's a belief in Western institutions that are seen as accountable, compassionate, and incorruptible. Similarly, there's a dichotomy between chaos and conflict versus order and stability, and between despotism and democracy (Wilson, 2012).

Despite efforts such as the Oil Producing Area's initiative to enhance financial transparency regarding oil revenue in Nigeria, mismanagement continues to be a pervasive issue across the economy. Nigeria, in many ways, can be seen as a political construct that has not yet fully realized its potential. The future prospects of the Nigerian state breaking free from its heavy reliance on oil revenue hinge on its capacity to become a catalyst for redefining how resources are extracted and produced. More importantly, it depends on its ability to invest in programs and infrastructure that can facilitate social transformation, lifting the country from its marginalized and exploited position within the globalized division of labor. In essence, Nigeria needs to evolve beyond its current state and become a proactive force in shaping its economic and social destiny

5.3 Recommendation

On the basis of the research results and findings in this study, following recommendations are made;

1. The Federal Government of Nigeria should prioritize diversification of its revenue sources beyond crude oil export and also promote sectors like agriculture, manufacturing, and technology can reduce overreliance on oil revenues and create a more resilient economy

2. The Government should strengthening governance and transparency in the oil sector thereby implementing robust regulatory frameworks and anti-mismanagement measures will help ensure efficient resource management and minimize leakages
3. Government and Non-government agencies should invest in education, skills development, and healthcare in order to build a productive and skilled workforce. With such actions, it will enhance human capital which will drive innovation, improve labor productivity, and contribute to sustainable development.
4. Government should encourage the growth of local industries and businesses within the oil sector in order to create jobs and retain more value within the Nigerian economy.

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APPENDIX

QUESTIONNAIRE DEPARTMENT OF POLITICAL SCIENCE FACULTY OF SOCIAL SCIENCES UNIVERSITY OF BENIN

Dear Respondent,

“Primary Products Export and Underdevelopment in Nigeria: A Case Study of Crude Oil (PPEUN:ACSCO)”

I am an undergraduate student from the Department of Political Science, Faculty of Social Sciences, University of Benin, Benin City, Edo State. I am currently carrying out research on **Primary Products Export and Underdevelopment in Nigeria: A Case Study of Crude Oil (PPEUN:ACSCO)**.

Please kindly help to complete the questionnaire as it will aid this research work. This is purely for academic purpose and the information you provide will be confidential and it will be used for this research.

Thank you for your cooperation.
The Researcher

SECTION A: Personal Information

Tick (✓) where appropriate.

Gender: Male [] Female []

Age: 25 and under [] 26 – 35 [] 36 – 55 [] Above 55 []

SECTION B: Answering the Research Questions

S/N	Statement	SA	A	D	SD
1.	Crude oil export significantly boosts Nigeria's economic growth and development				
2.	Over-reliance on crude oil exports does not hinder the diversification of Nigeria's economy and contribute to underdevelopment				
3.	Foreign investment in the crude oil sector significantly promotes Nigeria's economic development and mitigates underdevelopment challenges				

4.	Crude oil extraction and production minimally contribute to environmental degradation and pollution in Nigeria				
5.	The reliance on crude oil exports does not significantly contribute to social unrest and conflicts within Nigeria				
6.	Local communities in oil-producing regions are comparable to non-oil-producing regions in terms of basic infrastructure and social services				
7.	The local population residing near oil fields faces minimal health risks and public health impacts due to oil extraction activities				
8.	Mismanagement within the crude oil sector minimally impedes Nigeria's development initiatives				
9.	Rent-seeking behavior among political elites has a negligible impact on the effective management and equitable distribution of oil wealth in Nigeria				
10.	Nigeria's economic growth is minimally affected by its heavy reliance on a single primary product				
11.	The lack of diversification minimally limits employment opportunities and hinders job creation in Nigeria				
12.	The lack of diversification minimally hinders Nigeria's ability to attract foreign direct investment (FDI) and promote sustainable economic development				
13.	Economic diversification initiatives can significantly reduce Nigeria's reliance on crude oil exports and contribute to sustainable development				
14.	Transparent and accountable governance frameworks can effectively ensure equitable distribution of oil wealth and minimize mismanagement within the crude oil sector				
15.	Social programs and initiatives can significantly address socioeconomic inequalities and improve the well-being of communities affected by crude oil extraction activities				