



Oil Revenue And Economic Development In Nigeria

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ABSTRACT

The study examined the oil revenue and economic development in Nigeria's, the first attempt towards the discovery of oil was made in 1905 by a German Company operating in Nigeria called Nigeria Bitumen corporation. However due to eruption of first world war made the initial effort futile. It was after thirty years, in 1938. The study reveal that Nigeria depend on the fuels and also generating more revenue as a income when exporting products to abroad . It also help in correcting balance of payments and also balance of trade.

KEYWORDS

Revenue, Economic, Oil , Nigeria, Development , Export.

INTRODUCTION

Nigeria's first attempt towards the discovery of oil was made in 1905 by a German Company operating in Nigeria called Nigeria Bitumen corporation. However due to eruption of first world war made the initial effort futile. It was after thirty years, in 1938, the second attempt was made, this time by an Anglo Dutch consortium called shell D'Arcy which change later to shell-BP Petroleum Development many

of Nigeria. Again the second world war interrupted this attempt. It was not until 1946, after the end of the war in 1945, that exploration was resumed. Twelve years later, in late 1950's, oil was discovered in commercial quantities, the first commercial shipments of crude oil were in 1958, and production increased steadily until 1966. Mobil Joined shell-BP in the search for oil in the country in

1955, and others joined later on. As at today, these other foreign companies, prospecting for and producing oil in the country includes: AGIP, Safrap (now EIF), Philips Tenneco, Ashland Sunrary and Texaco/Chevron.

In these search of oil, foreigners are not alone in the industry, Nigerians also are inclusive. Following the

IMPORTANCE OF OIL IN THE ECONOMY

Oil in Nigeria has the commanding height in nation building, since 1970's oil has become Nigerian source of revenue externally which actually maintains the steady of foreign reserve. It has also correct balance of payments and also balance of trade. These oil activities were divided into "Core projects". Which takes internally and are considered basic to the economy and are expected through linkages, to provide inputs to other industries.

OIL EXPORT

The first commercial shipments of crude oil as indicated earlier was in 1958 and production increased steadily until 1966. It was only in the early 1970's that crude oil, production and export became the real yard stick of the economic significant of Nigeria.

To this end, the 2nd national development plan stated objectives for oil as "To earn foreign exchange through local processing to replace import and to provide funds for financing expanding investments in the economy as a whole". Based on this objectives, Nigeria has been exporting a major portion for crude oil produced.

Nigeria's crude oil production increased from 4,096 thousand barrels or 11 thousand barrels per day in 1959 to 395.836 thousand or 1,084 thousand bd in 1970. as shown in table 1.0 Thereafter it shot up phenomenally, reaching a

peak of 842,474 thousand barrels or 2.3m bd in 1979.

OIL PRICES

The influence of oil on the Nigerian economy arises mainly from the improvement of its economic position through the quadrupling of oil prices in the 1970s as a result of the Arab-Israeli "October" war of 1973. (Table 1 reflects crude oil share to total export). Developments starting in the middle east that year and concerts of OPEC actions produced a revolution in the world oil industry. For the first time, oil producing countries were able to gain control of producing and marketing of oil and successfully determined prices. For instance Nigerian light crude which went for a posted price of €2.42 per barrel in September 1970 and £4.287 per barrel in October 1, 1973, increased in price to £8.31 per barrel by October 20, 1983. There has been a noticeable rise in the posted period of Nigeria.

OIL AS A SOURCE OF GOVERNMENT REVENUE

Since 1960s when oil was discovered in commercial quantity, Nigeria relegated other sectors like, Agricultural commodities which was the main export commodities in Nigeria before independence and focused its attention to oil as main export commodity and source of revenue to Nigeria government.

The revenue accrued from oil sales were/are mainly in foreign currency. This actually has played a significant role in determining our fairly acceptable balance of payments position and increasing the volume of imports.

From table II we can see that since the time of civil war federal Governments total revenue has increased phenomenally in line with increases/decreases in oil revenues. For instance as oil revenues increased immensely from over ₦1.0 billion in 1973 reaching a peak of ₦11.0 billion in 1980, federal government

revenue in the same period also rose in sympathy from ~~N~~1.7 billion to a peak of ~~N~~16.0 billion. Similarly following a decline in oil revenue to ~~N~~9.2 billion in 1981, government revenue in the same period plummeted to ~~N~~14.7 billion, having attained an all high level of ~~N~~16.0 billion in 1980. As a proportion, the share of the oil total federal Government revenue increased from 26.3% in 1970 to a peak of 82.1% in 1974 and fluctuated between 63.1% and 81.4% in 1975 – 79. Even in 1981 when there was a drastic decline, oil revenue nevertheless accounted for 62.4% of the total revenue.

Consequence to the colossal revenue accrued from the sales of oil successive governments have introduced more and more ambitious development plans since 1962 in order to internalize the benefits of these resources. This, in the third development plan (1975-80), for example, the initial planned expenditure, at ~~N~~30.0 billion, was about

CONCLUSION

In conclusion therefore an attempt has been made to trace the history of oil discovery in Nigeria. And the way the oil industry became Nigeria “Jagular Vain”. So much revenue have been accrued from the sales of oil and these aid development in Nigeria. Infact Nigeria so far has taken a step in re-structuring and diversifying the economy so as to accommodate other for external generation of reserve revenue. That is a right step in right direction. It had taken also a step is diversifying the use of oil that he indeed begun, is the branch of the field of petrochemicals. Added to the vigorous development of the Agricultural sector, this should provide a solid and certainly more secure foundation for the take-off of the Nigeria economy into “Self-sustaining growth.

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