

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The Nigerian masses has since the return of the country to constitutional democracy experienced constant changes in the prices of petroleum product and also had to contend with various laws and policy frameworks in the pricing of one of the most consumed products in the country. The effect of the policies governing the petroleum industry is such that the price of other commodities in the Nigerian market is largely determined by cost of petroleum product which has significantly affected the purchasing power of the masses and by implication their socio-economic status.

According to Omosimua (2017), in 2015 and subsequent years the price settled at 145 naira and currently stands at 187 naira which is relatively high causing the prices of goods and services to rise with harsh economic effect on the citizens wellbeing. Transport fares have sky-rocketed and there have been general increase in cost of production of goods and services, and the prices of food stuff in the economy have always been increasing.

The challenges confronting the oil industry despite the abundance of crude oil and the potentials of the country for harnessing the vast benefit in the industry for national development was noted by Nkiruka (2016) thus, despite the vast potential Nigeria has as an oil country, its downstream sector production has failed to meet up with the demand of the populace, leading to shortages in fuel, long queues at the pumps; and the claim of heavy subsidization in the importation of fuel by the government to meet up with the demand. To reverse this trend and to address this crisis in the

downstream, the government deregulated the sector, despite the deregulation policy the industry is still confronted by a number of challenges which ranges from scarcity, increasing price of the commodity, determination of the price of other commodities and driving the market for or against the satisfaction of the masses.

The production, distribution, pricing and consumption of petroleum products in Nigeria have become a subject of contestation. This contestation is attributed to the challenges of the realities of production and distribution of the product to the Nigerian people and most importantly to the inconsistency of rules and regulatory framework guiding the operations of the petroleum industry. Advancing this position, deregulation is viewed as a panacea for the distribution of petroleum product across the country. Central to the operationalization of deregulation policy is the gradual and complete removal of fuel subsidy and deregulation of the downstream sector of the oil industry. According to Ayodele, deregulation is one essential aspect of price and market reforms which entail both unshackling private sector development through removal of government restrictions on private economic activity and divestiture of the state assets particularly Public Enterprises (PEs) into private hands.

Deregulation in the economic sense means freedom from government control (Innocent & Charles, 2011). According to Akinwumi et al (2005), deregulation is the removal of government interference in the running of a system. This means that government rules and regulations governing the operations of the system are relaxed or held constant in order for the system to decide its own optimum level through the forces of supply and demand (Ajayi and Ekundayo, 2008). Deregulation allows enterprises and services to be restricted as little as possible. It includes total withdrawal of government controls in the allocations and the production on goods and

services. Deregulation of a country's economy could be conceptualized as divestiture or market economy. This refers to private participation in a country's economic activities.

It is to ensure competitive economic system devoid of monopoly and allow price mechanism of demand and supply principle of the economy to prevail. According to Ahmed (2018), deregulation entails giving greater space to the private sector as the prime mover of the economy, contrary to emphasis on the dominance of public sector.

1.2 Statement of the Problem

The Nigerian oil and gas industry plays a very dominant role in the nation's economy with over 90% in 2011 and 98% in 2012, most recently with about 80% of the nation's foreign exchange earnings (Ibanga, 2011; CBN, 2012). About 36 Billion barrels of crude oil reserve and 19.2 Billion cubic meters of natural gas are deposited in the country with mixed outcome in exploration and domestication of the benefits that should accrue to oil producing societies like Nigeria. The two major challenges inhibiting the implementation of the deregulation policy by NNPC are, price control and the contending reality of hike in price of the product and the purchasing power of the masses built on socio-economic status and unregulated market.

The strategic nature of the petroleum sector cannot be overemphasized in the country's economic gains in view of exploration, production, gas utilization, conservation and importantly the determination of the prices of other commodities and control of market dynamics, therefore, petroleum policy and legislation are sensitive economic and management issues. It has been estimated that demand and consumption of petroleum grows at 12.8% annually (CBN, 2021). Nonetheless the petroleum product still remains expensive and unreachable as a result of

exportation of raw crude and importation of finished products (CBN, 2021) with evident growing prices and scarcity of the commodity.

Given the large scale transaction and activities conducted in the petroleum industry, the campaign for the deregulation of the oil sector was perceived as the most reliable measure towards resolving the scarcity of the petroleum products in the country, different perspectives has been raised on government's intention to deregulate the oil industry hinging the stance on distortion and in most cases the scarcity of the product. Despite the laudable benefits of the policy which is aimed at freeing the hitherto cumbersome industry, its accompanying consequence is most visible in the persistent increase in the price of the commodity which have effect on the purchasing power of the masses and their ability to meet the demand of the increase of basic commodity in the unregulated Nigerian market

Given the forgoing, this research situates the realities of the oil industry in Nigeria within the operationalization and domestication of the deregulation policy and petroleum pricing regime under the current administration within the major challenge of declining socio-economic status of the masses who purchasing power and economic capabilities has been greatly affected by the increasing price of the product which have influence on the prices of other commodities.

1.3 Objectives of the Study

The study interrogates the effect of deregulation policy in the petroleum sector on socio-economic status of the masses in Kwara state Nigeria. The specific objectives of the study are:

- i) Examining the general framework and rules governing the petroleum industry in Nigeria;
- ii) Interrogate the place of deregulation policy in the petroleum industry and its effect on socio-economic status of the people of Kwara State;

- iii) Examine the role of petroleum pricing regime on determination of prices of other commodities in the market in Kwara State;
- iv) Investigate the effect of petroleum price hike on the socio-economic status of the people of Kwara State.

1.4 Research Question

Consequent upon the above objectives raised in the study, the following questions are raised;

- i) What are the general framework and rules governing the petroleum industry in Nigeria?
- ii) What is the place of deregulation policy in the petroleum industry and its effect on socio-economic status of the people of Kwara State?
- iii) Does petroleum pricing regime determine the of prices of other commodities in the market in Kwara State?
- iv) What are the effects of petroleum price hike on the socio-economic status of the people of Kwara State?

1.5 Significance of the Study

The essence of any research study is its ability to enrich and add value to an existing body of knowledge and proffer solutions to perceived social problems Faruk, (2012). This research work will add value to the existing body of knowledge in the area deregulation policy, oil industry operation and performance and most importantly the evident challenge of oil pricing regime and its effect on the socio-economic status of the people of Kwara State.

The study will also be of importance to the legislators, as it points out to them the adequacy or otherwise of the funding of the scheme and the urgent need for a necessary legal document that will ensure full understanding and implication of a fully deregulated oil industry with respect to product availability and constant pricing determined by markets forces, and demand and supply

rather than the prevalence of artificial forces that influences the operation of the oil industry in Nigeria

It will also be a worthwhile endeavor that will be beneficial to wide-ranging beneficiaries such as employees, employers, organized Labour groups, scholars and students and finally, the study will also lay a foundation for further researches on the implementation and performance of laudable policies that will drive the objective performance of the Nigerian economy and specifically the oil sector.

1.6 SCOPE OF THE STUDY

This study focuses primarily on the effect of deregulation policy in the petroleum sector on socio-economic status of the masses in Kwara state Nigeria. The study focused extensively on content of the deregulation policy in Nigeria since its formulation and its operations under the current administration with emphasis on the effect of petroleum pricing on the socio—economic status of the people of Kwara State.

Specifically, the study will be conducted in Kwara state amongst selected adult citizens who are consumers of petroleum product in the country, selected oil markets and officials of NNPC in its Ilorin depot and selected members of the national assembly will be purposively selected to illicit information regarding the issues surrounding the deregulation policy and the performance of the oil industry in Nigeria.

Finally, the study will cover the performance of the deregulation policy under the current administration of President Mohammed Buhari which has seen significant legislation and

improvement in the Petroleum Industry Bill and also give the persistent increase in the price of petroleum product since 2015 till date despite the proposed removal of oil subsidy.

1.8 DEFINITION OF TERMS

The idea of conceptual clarification stems from the necessity to understand some terms used in this study. Osumah and Ikelegbe (2009) cited in Ojiya, et al (2017) assert that the essence of conceptualization is to give operational definitions to some important terms used in the discourse.

In this regard, the following terms are defined;

Deregulation: deregulation is governments' initiative to tackle intractable fuel scarcity to save the citizens from the trauma of endless search for cheap but unavailable petroleum products and the economy from collapse

Downstream: upstream sector covers all the activities leading to the exploration and drilling of crude oil, while the downstream sector covers the processing of crude oil, its distribution as well as sales

Upstream: downstream subsector of petroleum industry in Nigeria is characterised by a complex assortment of infrastructure and processes including refining, distribution, transportation and retailing of petroleum products

Subsidy: subsidy is the differential in the purchase of oil product that is burn of government while the citizens pay the other part for consumption of petroleum of product.

Commercialization: this is the process of re-organization of enterprises wholly or partly owned by the Federal Government in which such commercialized enterprises shall operate as profit-making commercial ventures and without subvention from the Government.

Privatization: is the full conversion of businesses from government ownership to private property. This can involve the denationalisation of industry as well as allowing the private sector to provide what had been considered government services

Liberalization: is the economic policy which involves the opening up of the sector to competition among all players in the industry. It means ensuring that every aspect of production, refining, distribution and dispensing of petroleum products is self- financing.

CHAPTER TWO

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1 Introduction

Series of works and research has been conducted in the areas of deregulation with respect to the Nigerian oil industry, petroleum pricing regime, subsidy and other important issues that have shaped the operations of the very important industry in the Nigerian economy. This research is therefore an advancement of the already existing studies in this area. This section of the research undertakes a critical review of previous studies related to his work, observations, opinions, comments, ideas, and knowledge that shed light on the key issues under investigation – role of deregulation policy in the pricing regime of petroleum product under the current administration. The implication of this is therefore to establish a relationship between related previous studies and

this current research. An attempt is also made to conceptualize this study within theoretical framework relevant to the field of study.

2.2 Conceptual Analysis

Deregulation is the method of changing an economic system or industry from intensive government regulation to a system that is accessible to all interested oil investors, which is control by forces of demands and supplies. Deregulation is common to the downstream oil Industry (Baghebo and Beauty, 2015).

Orisewesie (2004) states that deregulation is governments' initiative to tackle intractable fuel scarcity to save the citizens from the trauma of endless search for cheap but unavailable petroleum products and the economy from collapse. Expressing their thought on the concept of deregulation Simon and Kumar cited in Obajemu and Memudu (2020) define it as the process whereby government reduces its role and lets the national market forces of demand and supply take over. Its effect is freedom in the market place and the best route to an efficient and growing economy. In the opinion of Bolagi (2001), deregulation is all about throwing open the industry for willing, viable and interested investors. It will allow for more participation of economic players in the downstream operation of the oil industry. The deregulation of the downstream sector of the petroleum industry means freeing the sector of all government involvement, that the erstwhile control exercised by the government will cease except of course in the areas of national policy articulation and policing of the industry to ensure safety and security off life; property and the fair dealing among stakeholders in that sector of the economy.

Privatization as defined by the Public Enterprises (Privatization and Commercialization) Act N0 28 of 1999 cited in Kadiri and Lawal, (2016) is "...the relinquishment of part or all the equity and other interests held by the Federal Government or its agency in enterprises whether wholly or

partly owned by the Federal Government...” Privatization is defined as “the conversion of businesses from government ownership to private property. This can involve the denationalisation of industry as well as allowing the private sector to provide what had been considered government services.”

From the above, it can be understood that privatization is simply the conversion from public to private sector ownership. The statutory definition does not suggest that a privatized enterprise will be registered as a private limited liability company; indeed, it will most probably be a ‘Public Company’. Privatization is different from deregulation in that the latter has to do with the reduction of government’s involvement and the removal of regulatory controls in the economy or a sector in particular, whilst the former has to do with the sell in part or whole of an industry or business so that it is no longer owned by the government. Deregulation may take the form of abolition of regulatory controls, reducing administration, decentralisation of regulatory rule making, and making less interventionist laws.

A deregulated sector may consist of privatized business in the sector but a privatized industry may not mean a deregulated industry. The Public Enterprises (Privatization and Commercialization) Act N0 28 of 1999 defines Commercialization as “... the re organization of enterprises wholly or partly owned by the Federal Government in which such commercialized enterprises shall operate as profit- making commercial ventures and without subvention from the Federal Government...”. This definition directly portrays the intentions of government. The commercialized undertakings are to be self sufficient. While government may retain a few shares in them, it is not to be their source of funds in times of need. Commercialized companies must swim or sink on their own merits (Obajemu and Memudu, 2020).

Liberalization as it affects the downstream sector of the oil industry is the opening up of the sector to competition among all players in the industry. It means ensuring that every aspect of production, refining, distribution and dispensing of petroleum products is self- financing. Liberalization also means giving every player the opportunity to refine or import petroleum products for use in the country in so far as the products so refined or imported meet the quality specification. It involves lifting all competitive pricing barriers to entry. Liberalization has a close resemblance to deregulation. Both terms could comfortably be exchanged; there is little or no difference between the two. In fact, to some people they are both considered one and the same; a liberalized economy is very much a deregulated economy.

2.3 Literature Review

The Nigerian petroleum industry consists of the upstream and the downstream sectors. The upstream sector deals with discovery, exploration (onshore and offshore), extraction of oil and gas, treatment, transportation and delivery to export terminals/processing plants. The downstream sector, on the other hand, entails refining of the white products, conversion to petrochemical products, transportation, distribution and marketing of the finished products. These products are mainly Premium Motor Spirit –petrol, Automotive Gas Oil – diesel, Dual Purpose Kerosene, Low and High Pour Fuel oil (LPFO/LHFO), Base oil, Liquefied Petroleum Gas (LPG), Bitumen, Paraffin Wax and Sulphur, (Gbadamosi, 2003).

The downstream oil sector has not been without its many problems. These problems can never be over stated and they are; petroleum scarcity, mishandling of products, waste of productive man-hours due to queuing in fuel stations, hoarding of the product by marketers, cross-border smuggling, large-scale corruption in the distribution and marketing chain, lack of Turn Around Maintenance, mismanagement of funds, poor maintenance and vandalization of facilities.

The Olusegun Obasanjo administration in the bid to completely stamp out these recurring problems on the 14th of August 2000 set up a 34-man committee comprising of various interest groups in the country including the Nigerian Labour Congress (NLC). The committee known as the Special Committee on the Review of Petroleum Products Supply and Distribution (SCRPPSD), deliberated on the problems for more than three months and recommended the total liberalization of the sector as the only viable solution to the myriads of problems plaguing the downstream petroleum sector. By this, the committee meant that the various aspects of the downstream sector of the oil industry should be opened up to participation by individuals and corporate bodies who have the wherewithal and the technical experience to invest in the sector, (Gbadamosi, 2004).

The oil industry is the primary basis of the country's revenue is encumbered by the inherent and pervasive challenge of corruption. This has hindered the developmental and economic progress of Nigeria. Despite the contemporary trend on utilising alternative energy sources and the underplay of fossil fuel, the government is taken various measures to efficiently tackle these challenges via the deregulation model (Olujobi et al., 2020). It is anticipated that the government will utilise her oil revenues for substantial growth of the nation by eliminating subsidies expenditures which gives room for corruption in the industry (Olujobi, 2020).

To combat fuel scarcity in Nigeria, the Federal Government initiated Modular oil refinery projects and other private partnership projects, for instance, the evolving private refineries schemes such as the Dangote Refinery and Petrochemical firm, Lekki Free Zone, Lagos State and Azikel Refinery in Bayelsa State to boost indigenous refining of crude oil with the capacity of 445,000 barrels per day to tackle fuel shortage in the country but these undertakings have not yielded the desired results yet (KPMG, 2019).

2.4 Regulatory Framework in the Operation of the Oil Industry in Nigeria

Deregulation of the downstream oil industry is being advocated as a strategy without adequate legislative supports in the sector. A plethora of legislation regulating the petroleum industry have been enacted, namely: Section 44(3) of the 1999 Constitution, which is the bedrock of the country's legislation, offers the Federal Government of Nigeria exclusive control over extractive resources and section 1 of the petroleum (amended) Act, 2004 which bestows full proprietorship and management of energy resources on the Federal Government. The Oil Pipeline Act Cap 07, Laws of the Federation of Nigeria, 2004 makes provision for licences to be given to form and preserve oil fields pipelines. The law empowers the Minister for petroleum and energy to award a permit to any person to transport mineral through oil pipelines.

Also, section 8 provides for revocation of oil licence by the Minister for non-adherence to the Act's requirements. Powers of the Petroleum Minister under sections 6(1) and 9(1) (d) (iii) of the Petroleum Act on petroleum commodities price-fixing are equally conferred on the Petroleum Products Pricing and Regulatory Agency's Board under section 7(a) of the Petroleum Products Pricing and Regulatory Agency Act. The Acts should be streamlined to avoid conflict of interest and comply with the industry's present economic realities.

2.5 Theoretical Framework

Neo-Liberal Theory

For the purpose of establishing a sound theoretical stand point for this research, the neoliberal theory of trade was adopted. The theory neoliberal theory is based on the school of trade liberalization and commercialization which advocated the opening up of market space for private sector involvement in order to improve the chances of profit maximization and effective distribution of goods and services to the consumer.

The most important and influential proponent of the theory was the 18th century British Economist, Adam Smith. He believed that individual welfare was more important than national power. In his book *The Wealth of Nations* (1776), he advocated a policy of free trade so that the “invisible hand” of competition could act as an economic regulation. Smith’s advocacy of private enterprise as the best stimulus to equitable distribution of wealth gained increasing support in the early nineteenth (19th) century partly due to the wave of libertarian revolution that swept through Europe and the U.S.A. Adam Smith’s theories were further developed by the British Economists such as David Ricardo and John Stuart Mill, (Olowonfela, 2009).

The foundations of modern economics, and of the ideology of neoliberalism, go back to Adam Smith and his great work, *The Wealth of Nations*. Over the past two centuries Smith’s arguments have been formalised and developed with greater analytical rigour, but the fundamental assumptions underpinning neoliberalism remain those proposed by Adam Smith.

Neoliberalism represents a reassertion of the fundamental beliefs of the liberal political economy that was the dominant political ideology of the nineteenth century, above all in Britain and the United States. The arguments of political economy were based on intuition and assertion rather than on rigorous analysis, but their strength rested on their ideological appeal rather than on their analytical rigour.

The liberal model of society remained the ideal, but it was recognised that this ideal could not be attained by the power of the market alone, which would have to be supplemented by the guiding hand of the state. Piecemeal social reform through the first half of the twentieth century was replaced after the War by the more systematic reformism of the ‘Keynesian welfare state’, which was based on the systematic application of fiscal policy as a means of redistribution and macroeconomic regulation to remedy the deficiencies of the market.

Criticism of the Neoliberal Theory

While free trade brought prosperity to the most advanced producers, it imposed destitution on those who were unable to compete, provoking periodic crises in which less advanced producers were bankrupted, masses of people were thrown out of work and the trade of whole nations came to a standstill. This experience gave rise to demands for state protection for small producers and for the national industry of the productively less advanced countries. Small producers saw the source of their difficulties in the power of the bankers, who denied them access to the credit they needed to sustain themselves, while capitalists of less advanced countries sought tariff protection for their national industries.

For the liberal political economists, of course, periodic crises and bankruptcy were part of the healthy operation of the market, the stick that accompanied the carrots offered to the more enterprising producers. The market was not just an economic, but also a moral force, penalising the idle and incompetent and rewarding the enterprising and hard-working, for the greater good of society as a whole.

The conservative critics of liberalism sought to negate the evils of capitalism by turning the clock back to an idealised form of medieval society in which individualism was subordinated to the values and institutions of community, nation and religion. However, the dramatic increases in prosperity that capitalism offered to those who were able to benefit from its dynamism meant that such a reactionary response was politically quite unrealistic. The dominant critiques of liberalism have, therefore, been not reactionary but reformist, seeking to retain the benefits of capitalism while introducing reforms that would eliminate its negative consequences.

The central thrust of reformism, however, is always the same: to keep the ‘good’ parts of capitalism while eliminating the ‘bad’. The liberal response to reformism has also always been the

same: the good and the bad are two sides of the same coin; penalties for failure are inseparable from rewards for success. The ‘evils’ associated with capitalism cannot be ascribed to capitalism, but represent the failures of those who are unwilling or unable to live up to its standards. Liberalism is, therefore, not so much the science of capitalism as its theology.

Socialist critiques saw the inequalities which capitalism creates not as the result of the failure of markets, but as an expression of the unequal distribution of property, and called for the equalisation and/or the socialisation of private property and the organisation of production on the basis of common ownership, sustained by the free availability of credit.

CHAPTER THREE

RESEARCH METHODOLOGY

The goal of this chapter is to discuss and justify the research methods that were adopted to answer the research objectives and questions raised in this study. It explained the purpose and nature of the study, the research design, area the study covered population that formed the driver of the issues raised in the research, sample population, the sampling procedure, the types and the various sources of data. The instruments that aided the collection of the data for the research were discussed in this chapter. Finally, the chapter discussed the data collection procedures, methods of data analysis, reliability and validity of the instruments used, and ethical considerations.

3.1 Purpose of the Study

The study is focused at examining effect of deregulation policy in the petroleum sector on socio-economic status in Kwara state Nigeria. It is particularly poised to examine the growing challenges affecting the oil industry within the realities of emerging laws developed to regulate the oil market; furthermore, it also addresses the growing oil prices and market dynamics as it affects the socio-economic status of the people of Kwara State. The study investigated the unique challenges confronting the oil industry with respect to defining the deregulation law and oil pricing effect on the prices of goods and socio-economic status of the people.

3.2 Study Areas

The study was conducted in Nigeria with specific reference to the oil market and industry. Specifically, the research selected Kwara State (North Central). Kwara State is one of the six states in the North-Central geo-political zones in Nigeria, which includes Kogi, Niger, Nassarawa, Plateau and Benue States. It shares boundaries with Kogi, Niger, Oyo, Osun and Ekiti states in Nigeria (Salahu and Ambali, 2019). Kwara State is a derivative of the local name for the River Niger. It was created on May 27, 1967 when the Federal Republic of Nigeria was split into twelve states. Its original name of West Central State has subsequently changed to Kwara. Prior to its

creation, the area currently known as Kwara was part of the former Northern Region of Nigeria. The structure of the state has undergone several alterations. First, in 1976, a segment of the eastern part of the state was merged with the current Benue state. Second, in 1991, part of the areas of the state was merged with the current Niger state and Kogi state. The capital city, Ilorin, is a historically ornate centre, with one of the most distinguished Emirates in the country.

It is important to note that, the residents of the state comprises of civil servants, artisans and other forms of business men and women. Specifically, the majority of the residents are middle income earners who living condition are largely determined by the forces of the market and in most cases are affected by the constantly changing prices of consumables which are often subjected to the hike in the price of petroleum product and market forces.

3.3 Research Design

The design that was adopted in the research is a mixed method of survey research design and key informant interview. This is necessitated by the fact that the core issues in the research such as the deregulation policy, oil industry operations and oil prices in the country cannot be measured using the same instruments because of the changing dynamics and realities of the oil market and policies deployed in the regulation of the industry and market given the determining effect of the oil market on the purchasing power, market satisfaction and socio-economic status of the people.

The study adopted the use of survey questionnaires to determine impact of the deregulation law on the petroleum pricing regime and socio-economic status of the people of Kwara state. The questionnaire was administered to selected actors in the oil industry, citizens who are directly affected by the pricing regime which is determined by the deregulation policy. This decision is based on the understanding that these respondents that will be selected in the identified area are in the best position to give adequate information on deregulation policy, oil market and industry and

most importantly, the effect of oil pricing on the prices of commodity and the socio-economic status of the people.

3.4 Sources and Methods of Data Collection

This research employed both primary and secondary sources for collection of the needed data for the study. In accessing data and information through the primary source, the researcher will prepare a structured questionnaire to be administered to the selected respondents within the oil industry, law makers and the people who are direct beneficiaries of the deregulation policy under the current administration. The Key Informant Interviews procedure would also be conducted through personal contact with the identified respondents who possess the required information of the subject matter under investigation. This was done with the aid of a semi-structured interview guide.

Specifically, the questionnaire as the major instrument for the study was administered to respondents from the affected institution, oil markets and other stakeholders in the oil industry. This was determined on the justification that, they are directly involved in the process of policy formulation and implementation especially with reference to deregulation policy and oil pricing regime under the current administration. The choice of questionnaire as a major research instrument is based on the assumption that it enabled the respondents to freely express their opinions without being subjected to bias or external influence.

Furthermore, the in-depth interview for the study was be structured to address the research questions and issues raised in the study as it concerns key actors and informants in the research process that possess the required information and expertise in the operation of the oil industry and the process leading to the formulation of the deregulation policy and its effect on the oil market in Nigeria's current democratic dispensation. The secondary source of data for this study includes

literature and scholarly works in the core areas of the oil industry, deregulation policy, downstream and upstream sector of the oil industry, petroleum pricing and other issues that relates to the operations and existence of the oil industry in Nigeria.

3.5 Population of the Study

The population for this study will consists of all adults aged male and female citizens who are resident in Kwara State which is estimated to be around 3.2 million, Nigerian National Petroleum Corporation Depot in Kwara State which is put at 125 staff and Members of the National Assembly Committee on Oil and Gas, Petroleum resources (Down Stream and Up Stream) which is put at 18 members of the Senate and Members of the House of representatives. The qualification for inclusion in the research is regardless of their sexes (male and female), religions (Christianity, Islam and others), educational status (literate and illiterate), and ethnic affiliation. For the purpose of adequate representation, to arrive at the population of the study, citizens across various local government areas selected from each of the three senatorial districts in each state, staff of the Corporation in Ilorin and members of the National Assembly Committee was included in the research

3.6 Sample Size and Sampling Procedure

Given the fact that the whole population cannot be included in the under study, the research will therefore select the needed respondents through the adoption Taro Yamane mathematical formula which will be used to calculate and arrive at the sample size from the study population of citizens in the state which is put at 3.2 million; NNPC Ilorin depot officials which is 125 and members of the national assembly committee which is 18. The total population is put at

The Taro Yamane Formula
$$n = \frac{N}{1+N*(e)^2}$$

$$\begin{aligned}
&= \frac{3,200,143}{(1 + 3.200,143)(0.05)(0.05)} \\
&= \frac{3.200,143}{3.200,144 \times 0.05(0.05)} \\
&= 399.999 \approx 400
\end{aligned}$$

Consequent upon the foregoing calculation, the sample size for this study is 400 respondents selected. This enabled the collection of relevant information that aided the research process and answer the research questions. A multi-stage sampling procedure was adopted in selecting an appropriate sample size for the study across the designated areas in the state and other participants in the research process.

Instrumentation

A Structured questionnaire was designed as a research instrument to collect data on the effect of deregulation policy in the petroleum sector on socio-economic status in Kwara state Nigeria. This questionnaire was divided into sections in line with the formulated hypothesis. The well-structured questionnaire will consist of section A to D while A is bordering on personal data and B to D focus on the main thrust of the study, and the respondents view was measured on a Likert Scale where;

- 1- Strongly disagree;
- 2- Disagree;
- 3- Neutral;
- 4- Agree;
- 5- Strongly Agree.

3.7 Validation of Research Instrument

The term validity indicates the degree to which an instrument measures the construct under investigation. For a data collection instrument to be considered valid, the content selected and

included must be relevant to the need or gap established. The research instrument was reviewed for validity by various groups of people who included the researcher's peers, and supervisors at the Kwara State University, Malete. Strangor (2004) defined reliability as the extent to which instrument is free from random error, thus measuring the consistency of the instrument over time. The reliability coefficient of the research instrument will be determined by using the test-retest method. The instrument was administered to a sample of twenty (20) randomly selected respondents which represents the major respondents in Kwara States and other actors in the oil industry.

CHAPTER FOUR

DATA PRESENTATION, ANALYSES AND DISCUSSION OF RESULTS

4.1 Introduction

This chapter presents the findings and analysis of the data obtained from the selected respondents through questionnaire. The questionnaire as the main instrument for the research was designed to

fundamentally address the core issues raised in the objectives and research questions drawn in the study. The chapter laid emphasis on the analysis of basic information and data obtained from the copies of questionnaire administered to residents of Kwara state who included but not limited to the resident of the state, oil marketers, selected consumers of petroleum product, official of the newly privatized Nigerian National Petroleum Cooperation (NNPC) office in Kwara State with the view to achieve the state objectives of the research

The study adopted survey research method and a structured questionnaire was used to collect data from 400 respondents out of which 383 copies were returned and correctly filled which represent 95.7% return rate.

4.2 Data Presentation and Analysis

SECTION A: SOCIO-DEMOGRAPHIC CHARACTERISTICS OF RESPONDENTS

Table 4.2.1: Distribution of Respondents by Sex

Sex	Frequency	Percentage (%)
Male	295	79%
Female	88	23%
Total	383	100%

Source: Researcher's Field Survey, 2022

Table 4.2.1 above shows the sex distribution of respondents. Which indicates that 295 (79%) of the respondents are males, while 88 (23%) are females. The implication of the forgoing is that, the study selected more male gender for the study than their female counterpart. It can therefore be said that, the male gender are the main actor in the subsector.

Table 4.2.2: Distribution of Respondents by Age

Age Range	Frequency	Percentage (%)
------------------	------------------	-----------------------

18-25	60	15.7%
26-35	62	16.2%
36-45	121	31.6%
45 and above	140	36.5%
Total	383	100%

Source: Researcher's Field Survey, 2022

Table 4.2.2 presented above shows the age distribution of respondents selected for the research. Majority of the respondents selected were 45 years and above, and they 140 (36.5%) of the total respondents. 121 (31.6%) respondents were between 36-45 years of age, while 62 (15.7%) were between the ages of 26-35 years, while 60 (15.7%) of the respondents were within the age distribution of 18-25 years.

Table 4.2.3: Distribution of Respondents by Religion

Religion	Frequency	Percentage (%)
Islam	288	75.2%
Christianity	95	24.8%
Total	383	100

Researcher's Field Survey, 2022

Table 4.2.3 shows the religious distribution of the respondents, it was discovered that 288 representing (75.2%) are Muslims while 95 representing (24.8%) of the selected respondents are Christianity.

Table 4.2.4: Distribution of Respondent by Marital Status

Marital Status	Frequency	Percentage (%)
-----------------------	------------------	-----------------------

Single	48	12.5%
Married	325	84.9%
Others	10	2.6%
Total	383	100%

Source: Researcher's Field Survey, 2022

Table 4.2.4 presented above explains the marital distribution of the selected respondents for the study. The above table as presented shows that majority of the respondents were married, and they constitute 325 (84.9%) of the respondents, while 48 (12.5%) respondents are single,.

Table 4.2.5: Distribution of Respondents by Educational Qualification

Educational Qualification	Frequency	Percentage (%)
Secondary	115	30.0%
Graduate	223	58.2%
Post-Graduate	45	11.7%
Total	383	100%

Researcher's Field Survey, 2022

Table 4.2.5 shows the educational qualification of the respondents. The analysis indicates that majority of the surveyed respondents were graduate, as they represent 223 (58.2%) of the total respondents while 115 representing (30.0%) respondents holds secondary school leaving certificate and 45 (11.7%) are post graduate degree holders.

Table 4.2.6: Distribution of Respondents by Occupation

Occupation	Frequency	Percentage (%)
Civil servant	205	53.5%
Self Employed	63	16.4%

Artisan	86	22.5%
Others	29	7.6%
Total	383	100%

Researcher's Field Survey, 2022

Table 4.2.5 above shows the distribution of respondents by occupation. The table clearly indicates that the majority of the respondents were civil servants, and they consist of 205 (53.5%) of the total respondents. 63 (16.4%) of the respondents were self-employed, 86 (22.5%) of the respondents were artisan and only 29 (7.6%) fall in the category of “others”, most of whom specified that were retirees and unemployed.

SECTION B: ANALYSIS OF RESPONSE TO THE RESEARCH QUESTIONS

Table 4.2.7: Responses on the General Framework and Rules Governing the Petroleum Industry in Nigeria

No	What are the general framework and rules governing the petroleum industry in Nigeria?	Level of Agreement				
		SA	A	N	D	SD
1	One of the rules governing the petroleum industry and market in Nigeria is the formulation of deregulation policy which has significantly allowed for free operations of the industry	113(29.5)	197(51.4)	15(3.9)	42(11)	16 (4.2)
2	The current deregulation regime in the petroleum industry allows for the smooth operations and regulations of the industry	166 (43.3)	122 (31.9)	41 (10.7)	34 (8.9)	20 (5.2)
3	The force of liberalization in the Nigerian oil industry and market has significantly impacted on the activities of the industry for optimal performance	197 (51.4)	133 (34.7)	21 (5.5)	22 (5.8)	10 (2.6)
4	Difference in the policies for regulating the upstream and downstream sector of the oil industry	175 (45.7)	99 (25.8)	61 (15.9)	34 (8.9)	14 (3.7)

	have significantly effect on the performance of the oil industry					
5	policy inconsistency have effect on the rules governing the petroleum industry and market in Nigeria	198 (53.1)	145 (45.3)		15 (3.1)	30 (6.3)

Source: Researcher's Field Survey, 2022

The table 4.2.7 above contains the opinion of respondents on issues relating to the operation of the petroleum industry especially as it affects the socio-economic status of the people of Kwara State. Specifically, it addresses the general framework and rules governing the petroleum industry in Nigeria. Furthermore, 113 (29.5%) of the respondents strongly agree that the rules governing the petroleum industry and market in Nigeria is the formulation of deregulation policy which has significantly allowed for free operations of the industry which determines the prices of the commodity, 197 representing 51.4% agree to with the position while 15(3.9%) of the respondents were neutral. On the contrary, 42 (11%) disagree with the perspective raised on the subject of the rules governing the operation of the industry.

On the current deregulation regime in the petroleum industry allows for the smooth operations and regulations of the industry, 166 (43.3%) of the respondents strongly agree that have some effect on the operations of the industry, while 122 representing 31.9% agree to with the statement while 41(10.7%) were neutral. Contrarily, 34 (8.9%) disagree with the statement.

On the issues force of liberalization in the Nigerian oil industry and market has significantly impacted on the activities of the industry for optimal performance, 197 (51.4%) strongly agree with the state, 133 representing 34.7 agree as well while 20 (5.2%) of the respondents were neutral.

On the other hand, 22 (5.8%) of the respondents disagree force of liberalization in the Nigerian oil industry and market has significantly impacted on the activities of the industry for optimal performance

Addressing the subject of Difference in the policies for regulating the upstream and downstream sector of the oil industry have significantly effect on the performance of the oil industry, 175 (45.7%) of the respondents strongly agree that difference of policy affects the operations and performance of the industry , 99 representing 25.8% agree to the assertion. 61 (15.9) were neutral and undecided, 34 (8.9%) disagree with the notion while 14 (3.7%) strongly disagree with the statement above. The implication of the above on the subject under analysis is hinged on the fact that, the rules governing the operation of the industry in Nigeria particularly the deregulation and liberalization of market have effect on pricing regime which affects the socio-economic status of the people of the state.

Table 4.2.8 Responses on the Place of Deregulation Policy in the Petroleum Industry and its Effect on Socio-economic Status of the People of Kwara State

SN	Deregulation Policy in the Petroleum Industry and its Effect on Socio-economic Status of the People of Kwara State					
		SA	A	N	D	SD
7	The implementation of deregulation policy have impacted on the purchasing power of the people of kwara state	180 (47)	162(38)	8 (9.1)	18 (14.7)	20 (16.2)
8	The operations of deregulation policy have led to the constant rise in prices of commodities in the market	170 (44.4)	97(25.3)	26 (6.8)	50 (13.1)	40 (10.4)
9	Low income earners are constantly under pressure of meeting their basic needs under the current regime of petroleum product pricing	175 (45.7)	82 (21.4)	43(11.2)	37 (9.7)	46 (12.0)
10	Low income earners are constantly under pressure of meeting their basic needs under the current regime of petroleum product pricing	180 (47.0)	62 (16.2)	73 (19.1)	30 (7.8)	38(9.9)
11	Majority of the services rendered to consumers are determined by the unstable price of petroleum product	205 (47.0)	135 (16.2)	10 (5.7)	28 (12.8)	10 (5.7)
	The instability of petroleum prices in Nigeria has further affected the living	225 (58.7)	118 (30.8)	5(3.8)	20 (5.5)	20 (5.5)

	condition of the people of Kwara State					
--	--	--	--	--	--	--

Source: Researcher's Field Survey, 2022

Table 4.2.8 shows the opinion of the selected respondents on the subject of Deregulation Policy in the Petroleum Industry and its Effect on Socio-economic Status of the People of Kwara State Data obtained revealed that 180 respondents representing (40%) strongly agreed and 162 respondents representing (30%) agreed with the position that Deregulation Policy in the Petroleum Industry and its Effect on Socio-economic Status of the People of Kwara State. 8 respondents representing 9.1% were neutral, 18 respondents representing 7% disagreed that while 20 respondents representing 16.2% strongly disagreed. This implies that most of the respondents maintained Deregulation Policy in the Petroleum Industry have significant effect on Socio-economic status of the People of Kwara State.

Furthermore, with respect to the operations of deregulation policy have led to the constant rise in prices of commodities in the market 175 respondents representing 45.7 percent strongly, 82 respondents representing 25.3% agreed, 43 respondents representing 611.2% were neutral, 37 respondents representing 9.7% disagreed while 46 respondents representing 12.4% strongly disagreed. This implies that the operations of deregulation policy have led to the constant rise in prices of commodities in the market.

With respect to Low income earners are constantly under pressure of meeting their basic needs under the current regime of petroleum product pricing 180 respondents representing 47% strongly agreed that low income earners are constantly under pressure of meeting their basic needs under the current regime of petroleum product pricing, 80 respondents representing 20.9% agreed with the state, while 33 respondents representing 8.6% were neutral. Also 37 respondents representing

(9.7) and 46 respondents representing (12%) disagreed respectively. From the forgoing, the implication is evident that Low income earners are constantly under pressure of meeting their basic needs under the current regime of petroleum product pricing.

More so, on the issue of Majority of the services rendered to consumers are determined by the unstable price of petroleum product, 205 respondents representing (47%) and 135 respondents representing (16.2%) strongly agreed and agreed respectively that, Majority of the services rendered to consumers are determined by the unstable price of petroleum product. On the other hand, 28 respondent representing 12.8 % and 10 respondent representing 5.7% strongly disagreed respectively. The implication of the above is that services rendered to consumers are determined by the unstable price of petroleum products.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

The fundamental objective of this study include the investigation of deregulation policy in the operations of the petroleum market in Nigeria and how this policy affect the socio-economic status of the people of Kwara State and Nigeria at large. Based on the data collected and analyzed via the distributed questionnaire, it is safe to opine that deregulation policy despite its limitation

to the downstream sector of the petroleum industry have significantly affected the socio-economic status of the people. This is evidently tied to the facts that, the Nigerian market, the price of commodities and services rendered to the people are largely determined by the rules governing the petroleum industry. Most importantly, the deregulation policy and liberalization of the petroleum market which have seen the gradual privatization of the major cooperation of oil production and distribution in Nigeria, has a measure of control and effect on what the masses and consumers of the product experience in the oil industry. Therefore, the study concludes that, the socio-economic status of all strata of the society is largely tied to the policies and politics that governs the supply, availability or otherwise of petroleum product in the Nigerian market.

5.2 Recommendations

Based on the above position, the following recommendations were made:

- 1) The interest of the masses should be primary in the formulation and implementation of policies that will govern the operation of the petroleum industry in Nigeria. Given the obvious fact that, availability or scarcity of petroleum product and the price of the commodity determines to a large extent the prices of commodities and other service that the masses accesses in the market.
- 2) Government should strategically control the petroleum industry through the following of pragmatic and workable people-centered policies that will ensure the smooth operation of the petroleum industry and also help drive the sustenance of the industry in order to serve the long and short term interest of the people.

- 3) Government should ensure the effective operation of national petroleum assets that will aid domestic refining of petroleum product in large quantity. This action will ensure the reduction of the cost associated with export crude oil and the importation of refined petroleum products. By this the cost implication of purchasing petroleum product will be significantly reduced.
- 4) Also, government should ensure the full operation of domestic refineries and also ascertain the repairs of moribund refineries. This will enhance local production of the product at significantly reduced price.
- 5) Importantly, significant investment should be made towards smooth distribution of petroleum product through workable means like building of functional pipelines, tunnels for distribution of the product and revamping of Nigeria's railway networks which would drive the distribution of the product across the nation.

References

- Adegbite, I (2015) Law, development and the Nigerian oil and gas refineries Niger. Law J., 18 (1) (2015), pp. 73-108
- Antonakakis, N., Cunados, J., Filis, G., & Perez de Gracia, F. (2017), Oil dependence, quality of political institutions and economic growth: a panel VAR approach resources policy Elsevier, 53 (C) (2017), pp. 147-163

- Babalola, O. O. (2014), An evaluation of the Nigerian oil sector in Nigerian association of energy economics Proceedings of the 2014 IAEE Conference, Energy Access for Economic Development Policy, Institutional Frameworks and Strategic Options (2014), pp. 106-125
- Babayomi, O. (2014), Review of the key provisions of the petroleum industry Bill and the implications on deregulation, J. Sustain. Develop. Law Pol., 3., pp. 189-201
- Baghebo, M. & Beauty, N. O. (2015), Dynamics of the downstream petroleum sector and economic growth in Nigeria Int. J. Soc. Sci. Stud., 3 (4)., pp. 134-144
- Barkido, O. (2010). Assessment of the implication of full-scale deregulation of the downstream oil sector on the Nigerian economy in global J. Pol. Sci. Admini., 1 (2) (2010), pp. 23-48
- CAP.369, Laws of the Federation of Nigeria (LFN) 1990.
- Clarke, S. (1991). *Marx, Marginalism and Modern Sociology*. Basingstoke, Macmillan.
- Clarke, S. (1994). *Marx's Theory of Crisis*. Basingstoke, Macmillan.
- Ezu-Like Maximus, C. (2012) Deregulation of the Downstream Oil Sector and Challenges of National Development, 1999 -2012 Partial Fulfillment of the Requirement for Master of Science (M.Sc.) Degree in Political Science (Political Economy), Being a Project Submitted to the Department of Political Science, University of Nigeria, Nsukka (2012), p. iv
- Friedman, M. (1962) *Capitalism and Freedom*, Chicago, University of Chicago Press.
- Fidelis, E. A. & Egbere, M. I. (2013), The perception of Nigerians on the deregulation and privatisation moves of the government in the oil and gas industry in Nigeria Int. J. Publ. Adm. Manag. Res., 2 (1) (2013), p. 124

- Gbadamosi, R. (2003). Deregulation: Myth and Reality. Liberalization of the Downstream Petroleum Sector: The Nigerian Experience. pp. 94.
- Gbadamosi, R. (2004). Preface, Liberalization of Downstream Petroleum Sector: The Nigerian Experience. pp. xiii.
- Gberevbie, D.E., J. Ibietan, D. AbasilimU, O. Excellence-Oluyen (2015), Deregulation policy and development in Nigeria: the petroleum sector experience, 1999-2014, J. Soc. Dev. Afr., 30 (2) (2015), p. 129
- Hayatudeen, M. (2003). Discourse on Liberalization. Liberalization of the Downstream Petroleum Sector: The Nigerian Experience. pp. 63
- Kadiri, K.O. & Lawal, S.O. (2016), Deregulating the Nigerians Downstream Oil Sector: its Necessity as Way Forward to Correct the Battered Aspects of the Nation's Economy
- KPMG (2019), Downstream Oil and Gas Sector Watch Available at <https://assets.kpmg/content/dam/kpmg/ng/pdf/tax/Downstream-Oil-and-Gas-Sector-Watch.pdf>, Accessed 13th Sept. 2022
- Loretta, O. (2004), Deregulation of the Nigerian Downstream Oil Sector Keeping Faith with A Global Trend [www.pppra-nigeria.org/article details available @ www.vanguardngr.Com/](http://www.pppra-nigeria.org/article-details-available-at-www.vanguardngr.Com/-why-Oil-Sector-Deregulation-Is-Imp).
./why-Oil-Sector Deregulation-Is-Imp
- Monday, J. U. & Ekperiware, M.C. (2016). Downstream oil deregulation and Nigerian economy, Ecoforum, 5 (1), p. 214
- Nigeria National Petroleum Corporation (2020), We Spent N5.3bn on Petrol Subsidy in June available <https://punchng.com/we-spent-n5-3bn-on-petrol-subsidy-in-june-nnpc/>, Accessed 31st Aug 2020.

Nkiruka, M. (2017), The Deregulation Policy in the Nigerian Downstream Petroleum Sector and Its Effects. Available at SSRN: <https://ssrn.com/abstract=2812770> or <http://dx.doi.org/10.2139/ssrn.2812770>