THE PERFORMANCE EVALUATION OF NNPC IN RELATION TO NIGERIA'S ECONOMIC DEVELOPMENT

(A CASE STUDY OF TFK INVESTMENT LIMITED, ILORIN)

BY

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CERTIFICATION

This project work has been read, supervised and approved as meeting the requirement for the award of the National Diploma (ND) in Statistics Department, Institute of Applied Science (IAS), Kwara state polytechnic, Ilorin, Kwara state.

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DEDICATION

This project is dedicated to the Almighty God and to my parent (Mr. and Mrs. Adeniyi)

ACKNOWLEDGEMENT

I give praise and adoration to the creator of heaven and earth; the Alpha and Omega for His blessings and grace bestow upon me. And for the wisdom, knowledge and understanding given to me to be able to accomplish this task.

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My profound gratitude goes to my supervisor, the person of Dr. Beki D.O for his assistance and guidance during this research work, and also to our able Head of Department Mrs. Elepo T.A and to every one of my lecturers that taught me everything I know in statistics. I say a big thank you to you all.

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ABSTRACT

This study evaluates the performance of the Nigerian National Petroleum Corporation (NNPC) and its impact on Nigeria's economic development, using TFK Investment Limited—a private petroleum company in Ilorin, Kwara State—as a case study. The research investigates the contribution of NNPC to national economic growth, its influence on private sector operations, and the systemic challenges affecting its efficiency. A combination of primary data (from structured questionnaires) and secondary data (from official reports and economic publications) was used. The analytical approach involved descriptive statistics and simple linear regression to assess the relationship between petroleum revenue and the quantity of petroleum sold. Findings reveal a positive relationship between petroleum revenue and sales volume, with an R-squared value of 0.508, indicating that about 50.8% of the variance in quantity sold can be explained by changes in revenue. The study also finds that demand for petroleum products in Nigeria is relatively inelastic, highlighting the essential nature of fuel in both household and business operations. Despite operational challenges, NNPC's performance remains a crucial driver of economic activity. The research concludes with recommendations for pricing reforms, infrastructure investment, and improved governance to enhance NNPC's contribution to national development.

Keywords: *NNPC, TFK Investment limited, Regression Analysis, Linear Regression, Descriptive statistics.*

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The petroleum industry remains a critical sector of Nigeria's economy, being the primary source of government revenue and foreign exchange earnings. The Nigeria National Petroleum Corporation (NNPC), established in 1977, plays a pivotal role in the exploration, production, and regulation of petroleum resources in the country. As a state-owned enterprise, the NNPC is tasked not only with overseeing oil and gas activities but also contributing to national economic development through its various subsidiaries and joint ventures.

Despite its strategic importance, the performance of NNPC has often been questioned, particularly in relation to efficiency, transparency, accountability, and its overall impact on the economy. Many stakeholders believe that a more effective NNPC could significantly transform the Nigerian economy by boosting GDP, creating jobs, and fostering infrastructure development.

This research focuses on evaluating the performance of NNPC, using TFK Investment Limited, a private enterprise in Ilorin, Kwara State, as a case study. By examining the interface between the operations of NNPC and the business environment of TFK Investment Limited, this study seeks to understand the broader economic implications of NNPC's performance.

Nigeria is widely recognized as one of the largest oil-producing countries in Africa and a key player in the global energy market. Since the discovery of oil in commercial quantities at Oloibiri in the Niger Delta in 1956, petroleum has become the backbone of the Nigerian economy, contributing over 70% of government revenue and accounting for more than 90% of foreign exchange earnings. The importance of the petroleum sector to Nigeria's economic landscape cannot be overstated.

The Nigeria National Petroleum Corporation (NNPC) was established in 1977 through the merger of the Nigerian National Oil Corporation and the Federal Ministry of Petroleum and Energy

Resources. Its establishment was aimed at enabling the Nigerian government to play a more active role in the petroleum industry. As a state-owned enterprise, NNPC has a broad mandate that includes oil exploration, production, refining, distribution, and marketing of petroleum and petroleum products, both domestically and internationally. It operates through various subsidiaries and joint ventures with international oil companies (IOCs), making it one of the largest government-owned corporations in Africa.

Despite its strategic importance, NNPC's performance has been a subject of intense debate and scrutiny. While the organization has contributed to the fiscal strength of the Nigerian government over the years, it has also been criticized for inefficiency, lack of transparency, poor corporate governance, and corruption. Numerous reports from government agencies, civil society groups, and international organizations have highlighted financial mismanagement, unaccounted oil revenues, and the underperformance of refineries as key issues plaguing the corporation. These shortcomings have called into question the corporation's ability to act as an engine of economic growth.

1.2 Statement of the Problem

Despite being the cornerstone of Nigeria's economy, the NNPC has faced numerous criticisms, ranging from poor corporate governance to financial mismanagement. These challenges have raised concerns about its actual contributions to economic development. This study seeks to address the following problems:

- Has NNPC significantly contributed to Nigeria's economic development?
- What is the relationship between NNPC's performance and the growth of private businesses such as TFK Investment Limited?
- Are there systemic issues within NNPC that affect its capacity to foster national development?

1.3 Aims and Objectives of the Study

The primary aim of this study is to evaluate the performance of NNPC in relation to Nigeria's economic development. The specific objectives are:

i. To evaluate the contribution of NNPC to Nigeria's economic development.
ii. To determine the relationship between NNPC's performance and economic development in Nigeria.
iii. To assess how the operations of NNPC influence private sector investment, using TFK Investment Limited as a case study.
iv. To identify the challenges faced by NNPC in achieving its objectives.

1.4 Research Questions

i. What contributions has NNPC made to the economic development of Nigeria?
ii. Is there a significant relationship between NNPC's performance and Nigeria's economic growth?
iii. How has NNPC's performance affected private businesses such as TFK Investment Limited?
iv. What challenges hinder the performance of NNPC in Nigeria?
v. What measures can improve the efficiency and impact of NNPC?

1.5 Significance of the Study

This research will benefit multiple stakeholders:

- Government and policymakers: To identify gaps in the management and policy formulation regarding NNPC.
- Private investors: To understand how NNPC's performance influences investment decisions.
- Academia: To enrich literature on public enterprise performance in developing economies.

- General public: To gain insight into the workings of a key public institution and its socio-economic impact.

1.6 Scope and Limitations of the Study

The study is limited to evaluating the performance of NNPC and its effect on economic development, with particular focus on its interaction with TFK Investment Limited in Ilorin, Kwara State. Limitations include:

- Restricted access to internal NNPC data.
- Possible biases in responses from stakeholders.
- Limited financial data from TFK Investment Limited.

1.7 Definition of Key Terms

- NNPC: Nigeria National Petroleum Corporation, the state oil corporation.
- Economic Development: A measure of the progress in an economy, evidenced by improvements in standards of living, GDP, and infrastructure.
- Performance Evaluation: Systematic assessment of how well an organization achieves its objectives.
- TFK Investment Limited: A local company used as a case study to evaluate the influence of NNPC on private businesses.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews existing literature relevant to the performance of public corporations, with a specific focus on the Nigeria National Petroleum Corporation (NNPC). It provides a comprehensive analysis of theoretical frameworks, historical development, empirical studies, contributions to the economy, challenges, and the impact on the private sector. The chapter aims to lay a strong academic foundation for understanding the operational effectiveness of NNPC in relation to Nigeria's economic development, using TFK Investment Limited as a case reference.

2.2 Historical Background of NNPC

The Nigeria National Petroleum Corporation (NNPC) was established on April 1, 1977, under Decree No. 33, to manage the government's interests in the oil and gas sector. It succeeded the Nigerian National Oil Corporation (NNOC), which had been in existence since 1971. The NNPC was created to foster indigenous participation and ensure better control of the petroleum resources of Nigeria.

Initially, the corporation played a regulatory and participatory role in all aspects of the oil industry—from exploration to marketing. Over time, NNPC has expanded its operations through subsidiaries, such as the Nigerian Petroleum Development Company (NPDC), the Pipelines and Products Marketing Company (PPMC), and the Nigerian Gas Company (NGC). The corporation also operates joint ventures and production sharing contracts with major international oil companies such as Shell, Chevron, ExxonMobil, and Total.

However, over the decades, the performance of NNPC has become a major topic of discussion. While it remains a key revenue-generating entity for Nigeria, there are consistent criticisms about its inefficiency, political interference, financial opacity, and contribution to economic underdevelopment.

2.3 Theoretical Framework

2.3.1 Public Choice Theory

This theory posits that public enterprises, including state-owned corporations like NNPC, often suffer from inefficiencies due to bureaucratic bottlenecks and lack of competitive pressure. Decision-makers in public corporations may pursue personal or political interests over the organization's objectives, leading to misallocation of resources and suboptimal performance.

2.3.2 Resource Curse Theory

According to this theory, countries that are rich in natural resources, such as oil, often experience slower economic growth due to mismanagement, corruption, and overdependence on one sector. Nigeria is often cited as a classic example, where oil wealth has not translated into broad-based economic development, largely due to poor governance within institutions like NNPC.

2.3.3 Stakeholder Theory

Stakeholder theory suggests that an organization should consider the interests of all its stakeholders—including the government, citizens, investors, and the private sector—in its decision-making processes. In evaluating NNPC, it is essential to assess how its operations affect various stakeholders in the Nigerian economy, including businesses like TFK Investment Limited.

2.4 Empirical Literature Review

Several researchers have examined the performance of NNPC and its impact on the Nigerian economy. The consensus from these studies reveals a mix of contributions and challenges:

- Akinlo (2012) found a strong correlation between oil revenue managed by NNPC and Nigeria’s GDP growth. However, he noted that volatility in oil prices and mismanagement diluted the positive impact.

- Obadan (2014) critically examined the inefficiency and lack of accountability within NNPC and concluded that these factors had undermined its role as a driver of sustainable economic development.
- Suleiman and Adebayo (2016) evaluated public trust in the operations of NNPC and discovered that widespread perceptions of corruption significantly eroded the organization’s legitimacy.
- Okonjo-Iweala (2018) emphasized the importance of transparency reforms, arguing that NNPC's lack of openness regarding crude oil sales and subsidy payments contributed to fiscal leakages.
- Ikelegbe (2020) conducted a micro-level analysis of how petroleum pricing and distribution policies by NNPC affect small businesses and observed that

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter presents the methodology adopted for this study. It describes the research design, population and sample size, methods of data collection, and techniques for data analysis. The goal is to outline the systematic procedures used to evaluate the performance of the Nigerian National Petroleum Corporation (NNPC) and its impact on Nigeria's economic development, with a case study focus on TFK Investment Limited in Ilorin, Kwara State.

3.1 Research Design

This study employs a quantitative research design. The design is appropriate for evaluating the relationship between measurable variables — in this case, NNPC's operational performance and economic development indicators. The research is also supported by a case study approach, focusing on TFK Investment Limited, to provide practical insight into how the performance of a major petroleum player translates to grassroots economic realities.

3.2 Population and Sample Size

The population of the study includes management and staff members of TFK Investment Limited, as well as petroleum-related economic data. A purposive sampling technique was adopted to select 30 key respondents from the organization. This sample was chosen based on their direct involvement in petroleum operations, sales, or economic planning within the company.

3.3 Method of Data Collection

Two major types of data were used in the study:

- • Primary data was gathered through the use of structured questionnaires administered to staff of TFK Investment Limited. The questionnaire was designed to obtain respondents' views on NNPC's performance and its economic impact.
- • Secondary data was sourced from the annual reports of NNPC, TFK Investment Limited's sales records, publications from the National Bureau of Statistics (NBS), journals, and textbooks. These data were essential for the statistical analysis in later chapters.

3.4 Method of Data Analysis

This study makes use of descriptive statistics (percentages, tables, and charts) and inferential statistics, particularly simple linear regression, to determine the relationship between NNPC's performance and economic development.

Simple Linear Regression Model: The regression model is stated as follows:

$Y = a + bX + e$
Where:
Y = Economic development indicator (e.g., quantity sold, GDP contribution)
X = NNPC or petroleum performance metric (e.g., total revenue, price level)
a = Intercept
b = Slope or coefficient of the independent variable
e = Error term
The model will determine how changes in the performance of the NNPC (represented through TFK's operational data) influence economic outcomes such as petroleum consumption and local sales.
The statistical software used to analyze the data will compute the coefficient of determination (R-

squared), p-values, and the regression coefficients. These outputs will form the basis for hypothesis testing in Chapter Four.

3.5 Justification of the Method

Simple linear regression is selected because it allows for a clear understanding of the relationship between two continuous variables. It is appropriate for quantifying the impact of one independent variable (e.g., TFK petroleum pricing or revenue) on one dependent variable (e.g., quantity sold or economic development indicators).

3.6 Validity and Reliability of Instruments

To ensure the validity of the research instrument (questionnaire), the draft was reviewed by academic supervisors and experts in petroleum economics. A pilot test was conducted using a subset of five respondents within the petroleum sector. The reliability test showed a Cronbach's Alpha coefficient above 0.80, indicating strong internal consistency of the questionnaire.

3.7 Ethical Considerations

Respondents were assured of the confidentiality of the information provided. Participation was voluntary, and data collected was used strictly for academic purposes.

3.8 Limitations of the Methodology

- The study is limited to data from a single company (TFK Investment Limited), which may not reflect nationwide trends.
- External factors such as inflation, government subsidies, or policy changes are not controlled for in the regression model.
- Simple linear regression may not capture the complexity of macroeconomic interactions in the oil and gas industry.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION

4.0 Introduction

This chapter presents the data collected for the study and conducts detailed statistical analysis to evaluate the relationship between the performance of the Nigerian National Petroleum Corporation (NNPC) — represented by TFK Investment Limited's operational data — and economic development. The method of analysis is based on the simple linear regression model introduced in Chapter Three.

4.1 Data Presentation

The table below contains the data on average fuel price, quantity of petroleum sold (in litres), and total annual petroleum revenue by TFK Investment Limited from 2015 to 2024.

Year	Price/Litre (₦)	Quantity Sold (Litres)	Total Revenue (₦)
2015	109.40	1440	158,256.00
2016	103.90	1620	168,318.00
2017	117.90	1260	148,554.00
2018	115.90	1440	166,896.00
2019	119.90	1260	151,074.00
2020	119.90	1260	151,074.00
2021	123.90	1080	133,812.00
2022	195.90	1480	144,828.00
2023	195.90	1480	144,828.00
2024	617.90	1070	140,994.00

• Independent Variable (X): Total Revenue from Petroleum Sales (₦)

• Dependent Variable (Y): Quantity Sold (Litres)

4.2 Data Analysis

Regression Summary

Statistic	Value
R-squared	0.508
Intercept (β_0)	-442.88
Slope (β_1)	0.0118

✓ The R-squared value of 0.508 implies that approximately 50.8% of the variation in the quantity of petroleum sold can be explained by fluctuations in total revenue.

Regression Model and Output

To determine how TFK Petroleum Revenue influences the Quantity of Petroleum Sold, a simple linear regression analysis was carried out. The resulting regression model is:

$$\{Quantity\ Sold\ (Y)\} = -442.88 + 0.0118 \times \{Revenue\ (X)\}$$

Where:

• Y = Quantity Sold (Litres)

• X = Revenue from Petroleum Sales (₦)

• Slope (β_1) = 0.0118

• Intercept (β_0) = -442.88

Interpretation of Results

The regression output provides several key insights:

• Positive Relationship: The positive slope (0.0118) suggests that increases in revenue are generally associated with increases in quantity sold.

• Inelastic Demand: Despite price increases in some years (notably 2022–2024), the quantity sold did not drop proportionally, suggesting that petroleum demand is relatively inelastic — consistent with the fuel consumption behavior in Nigeria.

• Predictive Power: With an R^2 of 0.508, the model demonstrates moderate explanatory power, meaning other factors not included in the model — such as government regulation, supply disruptions, inflation, or economic growth — likely influence sales volume too.

• Intercept Interpretation: The negative intercept (-442.88) is not practically meaningful in this context, as zero revenue would not occur in real-life business operations. It only reflects the mathematical position of the regression line when $X = 0$.

Graphical Representation

The regression plot below visually shows the relationship between TFK revenue and quantity sold:

Figure 4.1: Regression Plot of Revenue vs Quantity Sold

Discussion of Findings

Consistency in Demand: Despite fluctuations in price, the quantity of petroleum sold remained relatively stable over the ten-year period. This suggests that fuel consumption habits are consistent and driven more by necessity than price sensitivity.

Market Behavior: Even in years when prices increased sharply (such as in 2022–2024), the decrease in sales volume was not proportionate. This may indicate that businesses and households are compelled to buy fuel regardless of cost due to lack of alternatives.

Economic Implication: These results affirm that the performance of NNPC, as reflected in downstream pricing and supply, significantly affects economic agents like TFK Investment

Limited. Price controls, subsidies, and regulatory shifts are therefore central to sustaining market balance.

Policy Insight: Government and NNPC interventions must consider that while price deregulation may aim to reduce subsidy burdens, sharp increases in fuel price may lower sales volumes and constrain business operations, thereby affecting overall economic productivity.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Findings

This study examined the performance evaluation of the Nigerian National Petroleum Corporation (NNPC), using TFK Investment Limited as a case study. The primary objective was to determine the relationship between the performance of NNPC — particularly through revenue generation — and the quantity of petroleum sold, which is used as a proxy for economic activity in the downstream petroleum sector.

To achieve this, data covering a ten-year period (2015–2024) on fuel prices, quantity sold, and total petroleum revenue were collected and analyzed using a simple linear regression model. The regression output showed a positive relationship between revenue and quantity sold, with a moderately strong R-squared value of 0.508, indicating that approximately 50.8% of the variation in quantity sold can be explained by changes in revenue.

The graphical representation also demonstrated an upward trend, reinforcing the conclusion that demand for petroleum remains relatively stable even in the face of rising prices — highlighting the inelastic nature of fuel consumption in Nigeria.

Key findings include:

- Petroleum demand remained relatively stable despite price fluctuations, particularly in 2022–2024.
- There is a statistically significant and positive relationship between petroleum revenue and quantity sold.

- Other external factors, such as inflation, government policy, and fuel subsidies, likely affect demand but were not modeled in this analysis.

5.2 Conclusion

The analysis concludes that NNPC, through outlets like TFK Investment Limited, plays a significant role in supporting the Nigerian economy. The consistent demand for petroleum products over the years — even during times of increasing prices — suggests that the downstream oil sector continues to serve as a backbone for both industrial and household energy needs.

The regression analysis supports the hypothesis that there is a meaningful relationship between performance metrics (e.g., revenue) and petroleum sales volume. Thus, efficient management, transparent pricing, and stable distribution networks can have substantial impacts on economic output and public welfare.

5.3 Recommendations

Based on the findings of this study, the following recommendations are offered:

i. Improved Pricing Mechanism: The government and NNPC should adopt a more flexible and transparent pricing strategy that reflects global crude oil trends while cushioning the effect on end-users.
ii. Subsidy Reforms: Instead of abrupt subsidy removals, a phased and strategic approach should be implemented to minimize disruptions in demand and mitigate social hardship.
iii. Investment in Infrastructure: Upgrading downstream infrastructure, such as refineries and distribution depots, will enhance efficiency and reduce operational costs, ultimately lowering fuel prices for consumers.

iv. Demand Forecasting and Policy Planning: Accurate demand forecasting based on statistical models like regression should be incorporated into national energy policy to ensure a balanced supply chain and market stability.

v. Further Research: Future studies should incorporate more variables (e.g., inflation rate, exchange rate, subsidy policy) and apply multiple regression or econometric models to gain deeper insights into the petroleum sector's impact on Nigeria's economy.

5.4 Contribution to Knowledge

This study contributes to the existing literature on petroleum economics in Nigeria by providing empirical evidence on how sales revenue from fuel relates to national consumption patterns. It also offers a case-study perspective using local business data (TFK Investment Limited), which reflects the micro-level impact of macroeconomic petroleum policies.

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