

NIGERIA CRUDE OIL: SOURCES OF CORRUPTION AND ECONOMIC DISPARITY IN THE NATION

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ABSTRACT

Crude oil as a source of national wealth is an evident example of Gulf countries. Surprisingly, Nigerian nation, living in the sixth worldwide importer of crude oil could not be characterized as the wealthy one. High level of corruption and economic disparity are striking characteristics of Nigerian socio-economic condition, which has not changed over the years of its evolution as crude oil supplier. This paper investigates why Nigerian nation appeared in such circumstances applying the constructivist approach in defining theory based on the spectrum of human experiences, drawing upon primary sources of corruption and disparity. It concludes that a combination of cultural factors such as community-based traditions, as well as greed and dependence on the oil as a primary source of prosperity has turned the Nigerian nation into the state of acceptance of the corrupted schemes countrywide, where the only possible remedy is radical change of cultural beliefs. By definition, culture is an umbrella that houses a people's beliefs and corruption has since become part of Nigerian culture.

INTRODUCTION

Reflecting on a common sentiment of African largest nation to escape mass poverty in 1999, Nigeria's first democratically elected president Olusegun Obasanjo declared that "Nigeria has no business with poverty" (Kingsley, 2013). This speech has been definitely voiced with an amendment to country's significant crude oil reserves that has been perceived as a source of social and economic prosperity since being first found in early 1960s. Fifteen years after the speech, Nigeria is still perceived as poor country, with an average life expectancy of less than 50 years, having roughly 70% of population living for \$1 per day, 40% of population being illiterate and systematically ranked in top 30 most corrupted economies in the world (Agbibo, 2012; Kingsley, 2013; Udechukwu & Mujtaba, 2013). Its corruption level is frightening, troubling issue which keeps diverting investors away from Nigerian organizations and institutions, in parallel creating higher levels of economic disparity between northern and southern states of the country (Africa Research Bulletin, 2013). In line with corruption, other risks like manifestation of sectarianism are evolving with acts of violence committed by Islamic militant group Boko Haram, which are still not appropriately addressed by governments of Nigeria and neighbor countries of Chad and Cameroon (Kingsley, 2013).

Superficially, Nigeria's problems could be explained by policy, culture, behaviors and processes which have not been effectively transformed with gaining independence along with other African colonies. Military dictatorships, weak civilian governments and endemic corruption, as specified by Kingsley (2013), heavily imprinted on Nigerian nation which, just as any other African countries, get used to believe inspirational leaders not ready or not willing to give at least a token of trust in return. Today, with more than a half of a century passed since the country acquired its democratic freedom, it might be wise reconsidering the bureaucracy and culture as driving forces of systematic problems evolving as a part of country's DNA, but to think of an abundance of natural resources as the reason behind. Reflecting on this, Udechukwu & Mujtaba (2013) mentioned that "crude oil reflects a

symptom and a manifestation of the institutional and architectural misalignment, existing in the Nigerian context” (p. 230).

Crude oil is the primary engine of Nigeria’s economic growth, extensively linked to the level of corruption. However, Udechukwu & Mujtaba (2013), referring to other scholarly publications that analyzed the link of foreign investment and corruption level through regression analysis, confirmed that Nigerian economy is not developed “as fast or as healthy as it should be, given the extent of corruption drawn from the over-reliance on crude oil as a critical source of revenue” (p. 231). In earlier research by Gboyega, Soreide, Le, and Shukla (2011), Nigerian dependence over its petroleum resource has been criticized based on inability to develop broad-based economy, which neglects other sources of revenue, like agricultural sector, to the date producing the largest amount of farm output throughout the African continent. Such self-directional focus over the natural resource assumed to bring the largest revenue is not unique in African context. Mozambique, for instance, having even more steady GDP growth driven by mineral deposits mining comparing to the one in Nigeria faces strong poverty rates as a consequence of global increase for food and fuel prices due to inability of establishing rural infrastructure that would support agricultural development (Cunguara & Hanlon, 2012).

Crude oil production process in Nigeria is also surrounded by numerous disturbances and interruptions. Labor unrests and severe strikes threatened to derail the economy have started at the beginning of 2012 as a reaction towards government initiative to remove subsidies related to production of crude oil products. The petroleum and Natural Gas Association of Nigeria consisted of almost 20,000 workers was ready to shut down all oil and gas production facilities as a reaction to losing benefits of an oil-rich country. Gboyega et al. (2011) reflected on these events criticizing scramble of control over natural resources which “contributed to weak oil sector governance, political upheavals and conflicts” (p. 7)

Analyzing historical data on main macroeconomic indicators for Nigeria since 2001, Udechukwu & Mujtaba (2013) intermediately concluded that inflation rates exceeding real GDP growth of the country could explain why corruption cyclically remains a reason for mismanagement and victimization, as well as why country’s economy relies on informal institutions rather than formal ones. There is also a cultural explanation for this long-existing problem, where Nigerians are still an “organization of people with collective but disparate needs” (Udechukwu & Mujtaba, 2013, p. 233), focusing on taking maximum advantage from their primary source of revenue, which is crude oil. This nationwide vision fits the resource-based view of firms focused over valuable and rare product which crude oil is, however, current state of events points out that either resource are allocated improperly, or corruption as a breach of procedure to obtain personal gains dominates the minds of government officials to a very significant extent (Afolabi, 2010).

Identifying psychological motives of people involved into the spread of corrupted business schemes and creation of disparate economic conditions within country boundaries will be the primary objective of this paper. Through a systematic literature review, main causes of corruption and economic disparity will be characterized, as well as how these causes are related to collective psychology of Nigerians. This objective will be achieved through the following steps. First, a research method realized through applying a constructivist approach will be outlined, describing scholarly view on the problem in recent academic advances. Further, main causes will be outlined and discussed in relation to the historical and national heritage of Nigerians. Finally, essential conclusions on the subject will be presented,

identifying key findings on crude oil effect on corruption and economic disparity of Nigeria, followed by limitations of the study and possible further research directions outline.

METHOD

It was identified in previous chapter that the problem of corruption in Nigeria is well documented, which gives a reasonable foundation to apply constructivist approach within the scope of this study. Constructivist approach is based on understanding the network of human experiences, which is “continuously shaped through the human interaction with objects and other subjects” (Mojtahed et al., 2014, p. 87). Early scholars researching the paradigm described the method perception as establishment of a reciprocal and communicational ground between the researcher and objects or participants of research in joint construction of meaning, where the actions performed are explicitly connected to experiences (Cohen & Manion, 1994). Some studies define constructivists as interpretivists as the research focus is frequently linked to results interpretation as an integral part of their presentation. In their research approach, constructivists “generate or inductively develop a theory or pattern of meanings” (Creswell, 2003, p.9) based on “participants' views of the situation being studied” (p.8) obtained from interviews or literature reviews, combining that with own experience. On the contrary to positivist, a constructivist researcher acts as investigator, assuming that facts could be shaped by human behavior incorporates into constructivist ontology of people to remain people. Constructivist researchers apply various types of interviews, ethnographic studies and analytical scenarios as primary research methods, while elucidating meaning from the events occurred as the research progressed (Creswell, 2003). Constructivist approach is also known for allowing researcher to adjust his direction of thinking based on events comprehension and the complexity and contextual factors evident for the results, but has also its limitations while approaching complex data and uncertainty of events (Mojtahed et al., 2014).

Applying constructivist paradigm to current research means that the data collected from literature review will be analyzed through particular themes that satisfy research objectives. According to Braun & Clarke (2006), a theme is something important within the data that relates to the research question. It can be a pattern of similar responses from a range of participants which seem to represent an important concept or some common ideas voiced by researchers in different publications on the same subject. However, the number of times a theme occurs should not be used as a basis for defining one theme as more important than the other. Thematic coding assumes that one theme comprises several sub-themes slightly different for other theme occurrences. There is no right or wrong way of theme elicitation as long as the theme related to the data under analysis. This is where the judgment of the researcher is a key to establishing what constitutes a theme in relation to the research question (Braun & Clarke, 2006).

For research purposes, 10 academic publications have been chosen amongst the available literature on the subject. All publications have been analyzed applying the thematic coding of data, resulted into formulation of particular themes that would satisfy research objectives. It was identified that while the amount of opinions on the crude oil impact over the psychological motives of Nigerians is vast, there are mainly same topics that satisfy the definition of crude oil as a source of corruption an economical disparity on the national level. Results and discussion on the subject are presented in the consequent chapter.

RESULTS AND DISCUSSION

Results

A systematic literature review conducted through employing thematic coding technique revealed that the most frequently occurring themes in scholarly heritage of papers dedicated to the subject of corruption and economic disparity of Nigerian nation are the culture of godfathership, ethnic and cultural resentment, poverty and unemployment, and political disruption.

The culture of godfathership

Declared independence of Nigeria in 1960 has brought a prolonged military dictatorship, which to the date is estimated as the longer period of country's independence. Agbiboa (2012) admitted that almost 30 years of brutal military rule has left a legacy of political dominance and corruption in hands of "godfathers" – political patrons who has been viewing the ultimate role of the government through the prism of personal enrichment. Godfathers were in charge of military elites driven by personal gain and greed, which looted state property, converted state funds into personal accounts and awarded legally doubtful contracts by companies by them and their associates (Agbiboa, 2012). The most serious problem of godfathership cultivation is that it was not punished or regulated by state authorities or its legislative branch, since basically governments were acting to satisfy the needs of godfathers in charge of local state boundaries. A petroleum price increase in the mid-1970s has brought enormous wealth for godfathers, as well as political officials and military leaders surrounding them due to the devastating financial mismanagement practices, further integrating corruption schemes into the essence of Nigerian democracy.

The end of military rule, however, has not put an end to cultivation of godfathership. Godfathers continued to enrich themselves through taking advantage of their former connections in the government, acquaintance with poorly compensated security agents and illegal employment of poor youth for oil siphoning (Onuoha, 2009). Accessing oil resources was not a problem as well, since the lack of inspection over the oil transportation routes, as well as corroded pipelines vulnerable for breaches has allowed to access oil and its refined products for any wealthy individual possessing labor force and technological capacity to do that.

Ethnic and cultural resentment

The evolution of godfathership culture would likely not being that easy if not for the cultural context of Nigerian perception of family and loyalty over the individual rights and personal accountability (Agbiboa, 2012). In this outlook, corruption exists as the cost that African society should pay for political and economic modernization, as well as their national status enhancement (Agbiboa, 2012; Agbiboa, 2015). This cultural perception comes from the practices of traditional African societies to emphasize on subordination within an extended family or particular ethnic group. It means that if a civil servant is required to engage into corrupt activities so that one could fulfill his obligations before a particular ethnic group, the rest of the group members would forgive his sins understanding his dedication to the cultural norms and traditions. In particular, Nigerian solidarity to the cultural norms is more important than law abidance, which means that civil servants have enough freedom to deviate from rules proscribing corruption (Afolabi, 2010). In African community-based culture, members

of the kin who are able to ascend higher on the social ladder are required to contribute more and more to their people. Thus, if there is a highly placed government official, politician or other civil servant, he is under constant pressure from his community to satisfy their needs in money, jobs or food. It is argued that such culturally related pressures making civil servants corrupted, since they simultaneously seek for satisfying their own needs and the needs of their kin to get the required support as a result of re-elections. Petrodollars coming out of crude oil reserves are only making this desire psychologically worse, allowing accumulating significant money reserves and in the meantime, bailing out ones dignity through regular donations to the relative communities (Agbibo, 2012).

This cultural resentment is also complicated with an ethnic context of predominantly Muslim North and Christian South, but also having representatives of each distributed throughout the country. Having different religious beliefs, members of both communities are still following African community tradition, adding up religious essence into the nature of conflicts and resource distribution. In this way, each senator or representative would act to primarily satisfy the needs of his community rather than the wealth of the nation, having access to oil reserves of the state or territory that would be distributed based on ethically driven quotas. As a result, social inequality is shifted based on the presence or absence of community representative in the higher echelons of power, leading to a provoking government decision of, for instance, paying scholarships only to the “right” students that belong to the community the civil servant is elected from or low level civil wars for the borderline oil fields (Kingsley, 2013).

Poverty and unemployment

Referring to the study completed in 1972, Agbibo (2012) admitted that the salary ration of highest to lowest paid government officials was estimated as 30:1. In 40 years, this ratio has been widened since country is still keeping its accrual policy to designated groups and individuals, demonstrating “prevalence of poverty and unemployment amidst enormous wealth” (Onuoha, 2009, p. 375). Through that period, oil industry has generated an increase of almost \$500 billion dollars in country’s material wealth and prosperity, which has been allocated to the pockets of just a few political leaders comparing to the country’s population. Referring to the World Bank report, Onuoha (2009) specified that almost 80% of Nigeria’s oil and gas revenues are distributed among 1% of population, while the rest 20% satisfy the needs of the remaining 99%. As a consequence of such inappropriate resource allocation, 70% of Nigerian population is living beyond the poverty line, unable to find a job or receive appropriate education. As a consequence, unemployed youth becomes victims of illegal employment offers, including those offered by oil barons and godfathers, from the early childhood being involved into the illegal hierarchies of wealth distribution.

In the government, things are also keeping worsening with security agents and other political figures’ exposure to illegal forms of business due to the low salary wages, weak legal framework and defective security apparatus. According to Afolabi (2010), the majority of public officials and other civil servants like teachers are receiving their salaries either late or not at all through several months, making them seeking for alternative ways of profit making. Afolabi (2010) also admitted that there are no consequences of thefts since, institutionally, it is not controlled by any strong anti-corruption system on the executive level. Rural poverty in current context is even stronger, with the sense of being disconnected from the rest of the world, where illegal means of survival usually the only possible ways to exist.

Political Disruption

According to Udechukwu & Mujtaba (2013), Nigerian executive, judiciary and legislative branches “fail to find the unity of purpose”, which facilitates “unexpected opportunities and loopholes for informal entities to legitimize informal rules and agreements with the political system through its electorate” (p. 234). Agbibo (2012) confirms this fact positioning Nigerian culture as the one which encourages public display of wealth, accepted by communities which experience difficulties posing their non-acceptance of corruption schemes. In different study, Agbibo (2015) used an example of Nigeria police force considered to the date the most corrupted and violent institution in the country. Based on the example of police, Agbibo (2015) referred to the nature of the colonial and post-colonial Nigerian state that had a narrow social base and heavily relied on the use of force as the consequence of military ethics prevailing in regulatory activities of Nigerian militia. Such informality in operational activities reveals the nature of the overall political structure of the country – an explicit orientation for informal organizations, which are considered more profitable, and thus, more legitimate from the institutional perspective (Udechukwu & Mujtaba, 2013).

DISCUSSION

Reflecting on causes of corruption and disparity of nation in Nigerian context, it is evident that their roots are complicated, but still relevant to the explicit orientation over local crude oil reserves. A combination of cultural heritage, greed and monetary policies has emerged into another African scenario, where high revenues of minorities coexist with nationwide poverty and inability to overcome the idealistic nature of community-based dedication. In its current state of affairs, corruption of Nigeria is hardly being addressed internally, calling for the external expertise of handling corruption scenarios and infrastructural discrepancies. As admitted by Trovalla & Trovalla (2015), the isolation of the nation from the rest of the world could be explained by the state of its infrastructure, where “wires, pipes, roads and signals, the water, electricity, transportation and phone networks that connect people to and disconnect people from society make up powerful instruments for analyzing the nation” (p. 54). Nigerians will not benefit from this analysis, since their mindsets are still occupied with a blind faith in greedy leaders unable to provide anything except for the promises of emerging democracy and better life. Their praise of community leaders and life-long expectation of having something in return for just being a member of community is defective, and does not have a place in the world where hard work is valued against visible results. But even if they want to, they are mostly unable to realize themselves, situating beyond the poverty line and limited to the illegal and risky jobs at insecure oil production facilities.

Similarly, the political propaganda of Nigerian leaders keeps pressing over the ideological values and is explicitly based on promises of upcoming reforms. Agbibo (2012) reflected on different scenarios, where newly elected leaders committed to clean out the stables seeking for radical changes versus previous regimes, or simply grandstanding with inspirational speeches that do not have any background or political doctrine behind. They keep pulling enormous anticorruption rhetoric over the shoulders of their electorate, articulating their cultural beliefs and the typical cases of absence of alternatives, especially for those that are seeking to satisfy their basic needs for food and some comfort of living. Agbibo (2012) admitted that the majority of anticorruption campaigns initiated by Nigerian leaders gradually transformed into the reckless rhetoric, primarily aimed towards international financial organizations and foreign investors rather than Nigerian nation. With this critique, it is hard

to evaluate the real power behind the ruling party of the country, which is likely to still being in tight bonds with local barons and godfathers, acting for their own enrichment and hiding behind the artificial contracts and agreements which are designed to cover the nature of black market operations and corrupted market relationships.

The most disturbing is that with such defective cultural beliefs, Nigerians are likely to fail to admit that fighting corruption should start by their own will. The majority of people grown inside rural communities might be unable to accept the need for the change and the need of rejecting old traditions that would not coexist with realities of the modern world. An example of how things are really messed comes from the example of law, which makes a provision for granting bailouts for criminals accused of oil pipelines vandalisation, making rich godfathers and their associates almost invulnerable in the eyes of the justice. It is still possible that international anti-corruption agencies would be able to change the situation to the better, but with the potential oppression from the communities protecting their corrupted superiors, even these efforts would not be sufficient.

CONCLUSION

This paper was focused on defining psychological motives of people involved into the spread of corrupted business schemes and creation of disparate economic conditions within country boundaries of Nigeria. This objective has been achieved using constructivist methodology, which generates a theory based on the evidences collected from other human experiences, and technically, through thematic coding of data, which revealed main causes of corruption. Human experiences in current research were presented in form of documented academic publications identified by keywords of corruption, economic disparity and Nigerian nation.

Four primary themes – the culture of godfathership, ethnic and cultural resentment, poverty and unemployment, and political disruption – were identified as driving forces of corruption. The first theme emerged from a historical heritage of the country, which spend the majority of its independence period under the brutality and harassment of interchanging military regimes. This period created a strong power of godfathership culture overseeing the socio-economic development of the country and regulating it for the wealth of selected individuals, which are still operating illegally within Nigerian boundaries. The second theme is a cultural heritage of African traditions, which are used by civil servants to pretend being concerned over the problems of their community. The third theme evolved as a result of the first, since unequal distribution of wealth forces poor and underpaid citizens to act against the principles of justice. Finally, the fourth theme is a consequence of numerous failures to establish formal institutional framework, where the roles of actors behind the scene, like corrupted politicians, is still more important than the welfare of the nation.

From the given research, the short-term conclusion for Nigerian nation are pretty poor, since their obsession with a “big men” tradition inevitably drowns them down to the chasm of corruption. On the other hand, with the global forecasts on oil resources depletion by 2040 (Kingsley, 2013), it is likely that they should start seeking for another source of prosperity and build their democracy from the scratch.

The limitation of current research is in its methods, since a combination of qualitative and quantitative research design could have brought more objective and relevant data for the analysis. Expanded research method, and possible in-depth comparison with other African cultures and countries is an outlook for the further research in this area.

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