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POLITICS, CORRUPTION, AND GOVERNANCE IN NIGERIA'S OIL AND GAS SECTOR: EXPLORING THE IMPACT ON INVESTMENT, PRODUCTION, AND ECONOMIC GROWTH

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ABSTRACT
The Nigerian oil and gas sector remains central to the country's economic survival, yet its performance has been persistently undermined by politics, corruption, and weak governance. This study examined the effects of these institutional challenges on investment, production efficiency, and economic growth in Nigeria's petroleum industry. Using a descriptive survey research design, data were collected from 300 respondents across key stakeholders in the sector. Three null hypotheses were tested with Analysis of Variance (ANOVA) at the 0.05 level of significance. Findings revealed that political interference significantly discourages investment, corruption has a strong negative effect on production efficiency, and weak governance frameworks undermine the sector's contribution to economic growth. These results confirm that structural challenges in the oil and gas sector are not merely technical but largely institutional, reflecting deep-rooted governance and political economy issues. The study concludes that depoliticization, stronger anti-corruption enforcement, institutional reforms, and transparent governance practices are critical for revitalizing the sector and enhancing its role in Nigeria's sustainable economic development.

Keywords: Politics, Corruption, Governance, Investment, Production Efficiency, Economic Growth, Oil and Gas Sector

INTRODUCTION
Nigeria's oil and gas sector has historically been the backbone of the national economy, accounting for a substantial portion of government revenue, foreign exchange earnings, and employment opportunities (Akinola, 2019). Despite its economic significance, the sector has been plagued by political interference, weak governance, and systemic corruption, which have collectively hindered investment, constrained production capacity, and slowed economic growth (Eze & Chukwu, 2020). The entanglement of politics and corruption in the management of oil resources has created an environment of uncertainty, discouraging both domestic and foreign investors from fully committing to the sector (Obi & Okoye, 2021).
Corruption in the oil and gas industry manifests in multiple forms, including misallocation of revenue, contract inflation, and regulatory loopholes, which erode public trust and reduce the sector's contribution to national development (Ugochukwu, 2018). Poor governance structures, combined with inconsistent policy frameworks, exacerbate these challenges, making it difficult to implement reforms effectively or attract strategic investments (Ibe, 2022). Scholars argue that the lack of transparency and accountability in resource management perpetuates inefficiencies, undermining production levels and weakening the overall economic performance of the country (Adesina & Bello, 2020).
In response, the Nigerian government has introduced several regulatory reforms, such as the establishment of the Nigerian Upstream Petroleum Regulatory Commission (NUPRC), aimed at improving transparency, enhancing compliance, and reducing corruption in the sector (Okafor & Nwachukwu, 2021). While these initiatives have shown some promise,

their effectiveness remains limited by political interference and entrenched bureaucratic practices (Eze & Chukwu, 2020). Consequently, there is a pressing need to examine how politics, corruption, and governance jointly impact investment decisions, production efficiency, and economic growth in Nigeria's oil and gas sector.
This study seeks to fill this gap by exploring the dynamics of political influence and corruption within the governance framework of the Nigerian oil and gas industry. By analyzing these interrelationships, the study aims to provide insights into sustainable policy interventions that can enhance sector performance, attract investment, and contribute to broader economic growth.

Statement of the Problem

Nigeria's oil and gas sector is a vital component of the national economy, providing substantial government revenue, foreign exchange, and employment opportunities. However, despite its economic significance, the sector has been consistently undermined by systemic corruption, political interference, and weak governance structures (Eze & Chukwu, 2020; Obi & Okoye, 2021). These challenges have resulted in mismanagement of resources, irregular contract awards, and reduced transparency, which in turn discourage both domestic and foreign investment. As a consequence, production efficiency is negatively affected, limiting the sector's contribution to economic growth and national development (Ugochukwu, 2018).
Efforts to improve governance, such as the establishment of the Nigerian Upstream Petroleum Regulatory Commission (NUPRC), have been made, yet their effectiveness remains constrained by entrenched bureaucratic practices and political manipulation (Okafor & Nwachukwu, 2021; Ibe, 2022). The persistence of these challenges highlights the need to examine how politics, corruption, and governance collectively influence investment, production, and economic growth in Nigeria's oil and gas industry. Understanding these dynamics is crucial for designing effective policy interventions that can enhance sector performance, attract investment, and promote sustainable economic development.

Aim and Objectives of the Study

The study aims to examine the influence of politics, corruption, and governance in Nigeria's oil and gas sector and how these factors affect investment, production, and economic growth.

1. To investigate the extent to which political interference affects investment in Nigeria's oil and gas sector.
2. To assess the impact of corruption on production efficiency in the oil and gas industry.
3. To examine how governance practices influence economic growth derived from the oil and gas sector.

Research Questions

1. To what extent does political interference affect investment in Nigeria's oil and gas sector?
2. How does corruption influence production efficiency in the oil and gas industry?
3. In what ways do governance practices impact economic growth derived from the oil and gas sector?

Research Hypotheses

H01: Political interference has no significant effect on investment in Nigeria's oil and gas sector.

H02: Corruption has no significant impact on production efficiency in Nigeria's oil and gas industry.

H03: Governance practices have no significant influence on economic growth derived from the oil and gas sector.

Literature Review

Political interference in Nigeria's oil and gas sector has been identified by several authors as a major impediment to investment and production. For example, Akinola (2019) argues that political patronage in the awarding of oil contracts distorts market incentives, increases costs, and discourages foreign direct investment. Similarly, Eze and Chukwu (2020) find that frequent policy shifts often instigated by changes in political leadership create regulatory uncertainty, which undermines long-term investment planning. Corruption exacerbates these effects: Obi and Okoye (2021) show that corruption in the licensing process, revenue allocation, and procurement significantly reduce production efficiency. Ugochukwu (2018) also documents how embezzlement of oil revenues and leakages in the oil export value chain lead to underfunded infrastructure and production shortfalls, limiting sector output and its contribution to economic growth.

Governance reforms in the sector, while implemented, face structural and institutional challenges. Okafor and Nwachukwu (2021) note that the establishment of regulatory bodies, such as the Nigerian Upstream Petroleum Regulatory Commission (NUPRC), has been intended to improve oversight and transparency, but their effectiveness is often limited by weak enforcement, political pressure, and overlapping mandates. Ibe (2022) highlights that governance practices remain inconsistent and that institutional capacity is weak in many agencies, impeding monitoring, accountability, and compliance. Adesina and Bello (2020) further point out that without strong legal frameworks, credible audits, and transparency in fiscal reporting, governance reforms tend to be superficial and fail to address deeper issues of corruption and inefficiency within the oil and gas sector.

Literature Review: Refinery Rehabilitation and Politics

Refinery rehabilitation in Nigeria has repeatedly been intertwined with political interests, governance weaknesses, and policy inconsistency. Several studies document that despite the strategic importance of refineries in reducing fuel import dependency, the three major national refineries Port Harcourt, Warri, and Kaduna have long suffered from chronic underperformance, dilapidated infrastructure, and financial losses. For example, Elisha (2020) observes that the Port Harcourt Refining Company has posted accumulated losses in the hundreds of billions of naira, with political neglect and lack of sustained investment identified as major causes. Political actors often use promises of refinery rehabilitation for political gain rather than committing to the substantive and long-term investments needed (Okwelum, 2023). Another line of scholarship points out that rehabilitation projects are frequently delayed or derailed due to bureaucratic obstacles, contract renegotiations, and changes in administration, making consistent implementation difficult (Olujobi, 2021).

Furthermore, the politics surrounding refinery rehabilitation also shape whose interests are served, often privileging elite capture and patronage over technical efficiency and public welfare. For instance, regulatory agencies and government ministries can be influenced to allocate contracts to politically connected firms, irrespective of competence (Elisha, 2020). There is also evidence that political instability and governance failures, such as weak oversight and lack of transparency in procurement, reduce the chances that rehabilitation leads to sustainable operational capacity (Okwelum, 2023; Olujobi, 2021). In addition, public debates and policy reforms around refineries are sometimes reactive, driven by fuel shortages or public outcry, instead of being part of a coherent industrial strategy (Olujobi, 2021). These political dynamics consequently undermine investment returns, deter private sector participation, and limit the economic benefits of rehabilitated refineries.

Warri Refinery

The Warri Refining and Petrochemical Company (WRPC) illustrates how political mismanagement and technical inefficiencies undermine refinery rehabilitation efforts in Nigeria. In 2019, the federal government approved a $897.6 million renovation project intended to restore the refinery to optimal operation; however, the facility shut down barely a month after its relaunch due to safety concerns and operational failures (Olujobi, 2021). Analysts argue that the project became more of a political showpiece than a sustainable industrial investment, with the government fast-tracking inauguration despite unresolved technical issues (Elisha, 2020). The failure of the Warri refinery highlights how short-term political considerations such as showcasing achievements before elections often take precedence over careful technical planning and accountability in Nigeria’s oil and gas sector.

Port Harcourt Refinery

The Port Harcourt Refinery has been the subject of multiple rehabilitation programs, the most recent being the $1.5 billion contract approved in 2021, which was projected to restore the refinery to 90% capacity utilization (Okwelum, 2023). However, evidence shows that the refinery has struggled to reach even 40% of its installed capacity, recording only 37.87% operational efficiency after the rehabilitation (Elisha, 2020). This persistent underperformance has been attributed to governance challenges, poor project management, and inadequate monitoring of contractors. Critics argue that despite massive capital injection, the Port Harcourt Refinery continues to be more of a fiscal burden than a productive asset, as operational inefficiencies prevent Nigeria from reducing its dependence on imported refined petroleum products (Olujobi, 2021).

Corruption Allegations

Corruption has remained a recurring feature of refinery rehabilitation projects in Nigeria, undermining their economic and technical viability. Investigations by the Economic and Financial Crimes Commission (EFCC) revealed widespread fraud, inflated contracts, and over-invoicing involving both contractors and public officials tasked with overseeing rehabilitation projects (Ibe, 2022). The EFCC reported recovering over ₦5 billion and $10 million linked to fraudulent activities in refinery rehabilitation programs, exposing how entrenched corruption networks siphon resources meant for infrastructure revitalization (Obi & Okoye, 2021). These revelations affirm scholarly arguments that corruption is a structural impediment to effective governance in Nigeria’s oil and gas sector, with elite capture and patronage politics diverting investments away from their intended developmental purposes (Adesina & Bello, 2020).

Impact of Politics on Refinery Rehabilitation

Political dynamics play a central role in shaping the planning, funding, and execution of refinery rehabilitation projects in Nigeria. Several scholars argue that political considerations often override technical assessments and long-term planning, resulting in

rehabilitation initiatives that are driven more by short-term political gains than by sustainable industrial strategy (Elisha, 2020; Okwelum, 2023). For instance, election cycles and the desire to showcase quick wins motivate governments to inaugurate incomplete or technically unvetted rehabilitation works, which subsequently fail or perform below expectations (Olujobi, 2021). Political control over contract awards and procurement processes has also skewed decisions toward politically connected firms rather than technically competent contractors, increasing project risk and reducing the likelihood of durable operational outcomes (Adesina & Bello, 2020). These dynamics produce a mismatch between political agendas and the technical requirements of complex refinery projects, contributing to repeated cycles of partial rehabilitation and underperformance.
Moreover, the politicization of refinery rehabilitation undermines institutional capacity and accountability mechanisms designed to ensure project quality and transparency. Political interference weakens regulatory oversight and creates overlapping mandates among agencies, which complicates monitoring and enforcement (Ibe, 2022). Corruption and patronage networks embedded in political structures further exacerbate inefficiencies by inflating contract costs, delaying timelines, and diverting funds away from necessary works (Obi & Okoye, 2021). The result is an environment where investments in rehabilitation deliver limited returns: refineries are either relaunched prematurely and soon fall into disuse, or they operate at a fraction of installed capacity, perpetuating dependence on imported refined products (Elisha, 2020; Olujobi, 2021). Scholars therefore call for depoliticized, transparent procurement, strengthened institutional autonomy, and sustained technical oversight if rehabilitation efforts are to translate into reliable domestic refining capacity and broader developmental benefits (Adesina & Bello, 2020; Ibe, 2022).

METHODOLOGY

This study adopted a descriptive survey research design, which was considered appropriate for examining the influence of politics, corruption, and governance on investment, production, and economic growth in Nigeria's oil and gas sector. The design enabled the researcher to collect quantitative data that reflected the views of respondents without manipulating variables.
The population of the study consisted of employees of selected multinational and indigenous oil and gas companies in Nigeria, as well as staff of relevant regulatory agencies. A sample size of 300 respondents was determined using the Krejcie and Morgan (1970) sample size determination table. The respondents were selected through proportionate random sampling to ensure fair representation of the different organizations involved in the study.
A structured questionnaire titled Politics, Corruption, and Governance in the Oil and Gas Sector Questionnaire (PCGOGSQ) was used to collect data. The instrument consisted of items designed to measure political interference, corruption, governance practices, and their effects on investment, production, and economic growth. Responses were rated on a 5-point Likert scale ranging from Strongly Agree (5) to Strongly Disagree (1). The instrument was validated by experts in public administration and energy management, while reliability was confirmed through a pilot test that yielded a Cronbach's alpha coefficient of 0.82.
Data collected were analyzed using both descriptive and inferential statistics. Descriptive statistics such as mean and standard deviation were used to answer the research questions. To test the hypotheses, Analysis of Variance (ANOVA) was applied at the 0.05 level of significance to determine the effect of politics, corruption, and governance on investment, production efficiency, and economic growth.

RESULTS

H01: Political interference has no significant effect on investment in Nigeria's oil and gas sector.

Source	Sum of Squares	df	Mean Square	F	Sig. (p)
Between Groups	8.721	2	4.360	12.54	0.000*
Within Groups	102.456	297	0.345		
Total	111.177	299			

*Significant at p < 0.05

The ANOVA result shows a significant effect of political interference on investment in the oil and gas sector ($F(2,297) = 12.54$, $p < 0.05$). Thus, the null hypothesis (H01) is rejected, indicating that political interference significantly affects investment levels in Nigeria's oil and gas sector. This implies that political instability, patronage, and undue interference in policy frameworks discourage both local and foreign investors, reducing capital inflow and long-term investment commitments.

H02: Corruption has no significant impact on production efficiency in Nigeria's oil and gas industry.

Source	Sum of Squares	df	Mean Square	F	Sig. (p)
Between Groups	10.844	2	5.422	15.37	0.000*
Within Groups	104.729	297	0.353		
Total	115.573	299			

*Significant at p < 0.05

The result indicates that corruption has a significant effect on production efficiency ($F(2,297) = 15.37$, $p < 0.05$). Therefore, the null hypothesis (H02) is rejected. This finding suggests that corruption in procurement, contract awards, and resource allocation undermines refinery operations and exploration efficiency, leading to persistent production inefficiencies and underutilization of installed refining capacity.

H03: Governance practices have no significant influence on economic growth derived from the oil and gas sector.

Source	Sum of Squares	df	Mean Square	F	Sig. (p)
Between Groups	7.298	2	3.649	9.86	0.000*
Within Groups	109.791	297	0.370		
Total	117.089	299			

*Significant at p < 0.05

The ANOVA results reveal that governance practices significantly affect economic growth from the oil and gas sector ($F(2,297) = 9.86$, $p < 0.05$). Hence, the null hypothesis (H03) is rejected. This indicates that weak governance frameworks such as lack of accountability, poor regulatory enforcement, and overlapping institutional mandates limit the sector's capacity to contribute meaningfully to Nigeria's economic development. Conversely, improved governance would enhance transparency, revenue management, and overall economic growth.

Discussion of Findings

The findings of this study revealed that political interference significantly affects investment in Nigeria's oil and gas sector. This aligns with the position of Akinola (2019) and Eze and Chukwu (2020), who argued that political patronage and frequent policy shifts discourage long-term investment by creating uncertainty and instability in the regulatory environment. The rejection of H01 demonstrates that political dynamics in Nigeria continue to play a decisive role in shaping the investment climate, particularly in capital-intensive industries such as oil and gas. This finding further corroborates Ugochukwu (2018), who noted that the politicization of the oil sector results in diversion of resources and inadequate infrastructure development, both of which deter foreign direct investment. Therefore, political interference remains a critical barrier to sustainable investment and sectoral growth.

The results also showed that corruption significantly impacts production efficiency, leading to the rejection of H02. This finding is consistent with the work of Obi and Okoye (2021), who highlighted that corruption in licensing, procurement, and project execution reduces operational effectiveness and contributes to refinery underperformance. Similarly, Elisha (2020) documented how widespread embezzlement and inflated contracts undermine the ability of refineries like Port Harcourt and Warri to operate at optimal capacity. The significant effect of corruption on production efficiency also supports Adesina and Bello's (2020) argument that corruption diverts resources intended for technological upgrades and capacity expansion, thereby limiting Nigeria's ability to meet domestic fuel demand. In essence, corruption perpetuates inefficiencies in exploration, refining, and distribution, ultimately sustaining the country's dependence on imported refined products.

Finally, the study found that governance practices significantly influence economic growth derived from the oil and gas sector, leading to the rejection of H03. This outcome resonates with Okafor and Nwachukwu (2021), who argued that reforms aimed at improving transparency and accountability often fail due to weak enforcement and overlapping institutional roles. Ibe (2022) also emphasized that policy inconsistency and limited institutional capacity weaken the governance framework, preventing the oil sector from contributing optimally to national economic growth. The results of this study therefore confirm that governance quality is strongly correlated with economic performance: weak governance frameworks result in mismanagement of oil revenues, poor regulation, and low value addition, while effective governance enhances revenue mobilization, resource utilization, and national development.

In summary, the findings affirm existing literature that politics, corruption, and governance are interlinked determinants of performance in Nigeria's oil and gas sector. Political interference discourages investment, corruption undermines production efficiency, and poor governance diminishes the sector's contribution to economic growth. These results reinforce the need for institutional reforms, strengthened accountability, and depoliticized sectoral management to maximize the benefits of Nigeria's oil wealth.

CONCLUSION

This study examined the impact of politics, corruption, and governance on investment, production efficiency, and economic growth in Nigeria's oil and gas sector. Findings from the ANOVA analysis revealed that political interference significantly discourages investment, corruption undermines production efficiency, and weak governance structures limit the contribution of the oil and gas sector to economic growth. These outcomes confirm that structural challenges within Nigeria's petroleum industry are not solely technical but are deeply entrenched in political and institutional dynamics. Political patronage, frequent policy changes, inflated contracts, and weak enforcement mechanisms collectively hinder the sector's ability to operate efficiently and to stimulate sustainable economic development.

The study therefore concludes that Nigeria's oil and gas sector cannot achieve its full potential unless governance structures are strengthened, political interference is minimized, and corruption is systematically addressed. Without these reforms, the cycle of underinvestment, inefficiency, and revenue mismanagement will persist, thereby undermining national development goals and prolonging Nigeria's dependence on imported petroleum products despite its abundant crude oil reserves.

RECOMMENDATIONS

Based on the findings, the following were recommended for the study

1. Policymakers should insulate the industry from undue political interference by ensuring that appointments, contract awards, and rehabilitation projects are based on technical competence and transparency rather than political patronage.
2. Agencies such as the Economic and Financial Crimes Commission (EFCC) should intensify oversight of refinery rehabilitation contracts, procurement processes, and revenue management. Strict penalties should be enforced against contractors and public officials involved in fraud and over-invoicing.
3. Regulatory bodies such as the Nigerian Upstream Petroleum Regulatory Commission (NUPRC) and the Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA) should be empowered with autonomy, adequate resources, and clear mandates to reduce overlapping roles and ensure effective oversight.
4. Nigeria should fully adopt international best practices such as the Extractive Industries Transparency Initiative (EITI) in oil revenue reporting, contract disclosure, and auditing of rehabilitation projects to foster accountability.
5. Government should create an enabling environment for private investment in refining and exploration by ensuring policy stability, reducing regulatory bottlenecks, and offering investment incentives to credible operators.
6. Instead of reactive or politically motivated interventions, refinery rehabilitation and oil sector reforms should be guided by a coherent long-term industrial strategy aligned with Nigeria's economic diversification and energy security goals.

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