

## **ASSESSING THE IMPACT OF FINANCIAL INSTITUTIONS ON THE PERFORMANCE OF PETROLEUM MARKETERS IN NIGERIA: A STUDY OF ACCESS TO CREDIT AND FINANCIAL SERVICES**

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### **ABSTRACT**

This study assessed the impact of financial institutions on the performance of petroleum marketers in Nigeria, with particular focus on access to credit, financial advisory services, payment and transaction services, and insurance services. A correlational research design was adopted, and data were collected from 300 registered petroleum marketers using a structured questionnaire. The data were analyzed using descriptive statistics and Pearson correlation to test the study hypotheses at a 0.05 level of significance. The findings revealed a strong positive relationship between access to credit and performance, and significant positive relationships between financial advisory services, payment and transaction services, insurance services, and the performance of petroleum marketers. The study concluded that financial institutions play a crucial role in enhancing operational efficiency, profitability, and business resilience in the petroleum marketing sector. It was recommended that financial institutions improve access to credit, strengthen advisory services, provide efficient transaction systems, and promote insurance coverage to support petroleum marketers.

***Keywords: Financial Institutions, Access to Credit, Financial Advisory Services, Payment and Transaction Services, Insurance Services, Petroleum Marketers, Business Performance***

### **INTRODUCTION**

The petroleum marketing sector in Nigeria has undergone significant transformations in recent years, influenced by policy changes, economic shifts, and evolving financial landscapes. The removal of fuel subsidy in Nigeria has significantly impacted the petroleum marketing sector. The increase in trading capital from N7 million to N50 million has put pressure on petroleum marketers to secure more funds to maintain their businesses. Financial institutions play a crucial role in providing the necessary financial services to support the growth and development of petroleum marketers (Akinola, 2019; Okoye & Eze, 2021).

This policy shift has heightened operational costs and financial risks for petroleum marketers, making access to affordable and timely credit essential for sustaining their businesses (Oluwaseun, 2020). Financial institutions, including commercial banks and microfinance banks, provide critical financial services such as loans, overdrafts, and investment advisory support that enable marketers to maintain operational liquidity and expand their market reach (Eze & Chukwu, 2022).

Given this context, it becomes imperative to assess the impact of financial institutions on the performance of petroleum marketers in Nigeria. Understanding how access to credit and financial services influences operational efficiency, profitability, and sustainability will provide valuable insights for policymakers, financial institutions, and industry stakeholders (Ibrahim & Yusuf, 2018; Adegbite, 2023).

### **Statement of the Problem**

The petroleum marketing sector in Nigeria plays a critical role in ensuring the availability of refined petroleum products across the country. However, the sector has faced significant challenges in recent years, particularly following the removal of the fuel subsidy. The trading capital required for

petroleum marketers has surged from N7 million to over N50 million, creating substantial financial pressure on businesses to maintain operations. Many petroleum marketers lack sufficient internal funds to sustain their businesses, making access to external financing through banks and other financial institutions essential for their survival and growth.

Despite the presence of numerous financial institutions in Nigeria, many petroleum marketers still struggle with limited access to credit and other essential financial services. High-interest rates, stringent collateral requirements, and bureaucratic loan approval processes often hinder marketers from obtaining the funds needed to meet operational demands and expand their businesses. Consequently, these financial constraints negatively affect their operational efficiency, profitability, and overall performance.

This scenario raises critical questions about the effectiveness of financial institutions in supporting petroleum marketers and the extent to which access to credit and financial services influences their performance. Without adequate financial support, petroleum marketers may continue to face operational inefficiencies, reduced market competitiveness, and limited capacity for business growth. Therefore, there is a pressing need to empirically assess the impact of financial institutions on the performance of petroleum marketers in Nigeria.

### **Aim and Objectives of the Study**

The aim of this study is to assess the impact of financial institutions on the performance of petroleum marketers in Nigeria, with particular focus on access to credit and financial services.

The specific objectives of the study are to:

1. Examine the relationship between access to credit from financial institutions and the performance of petroleum marketers in Nigeria.
2. Investigate the relationship between financial advisory services provided by financial institutions and the performance of petroleum marketers.
3. Determine the relationship between payment and transaction services offered by financial institutions and the performance of petroleum marketers.
4. Assess the relationship between insurance services provided by financial institutions and the performance of petroleum marketers.

### **Research Questions**

1. What is the relationship between access to credit from financial institutions and the performance of petroleum marketers in Nigeria?
2. What is the relationship between financial advisory services provided by financial institutions and the performance of petroleum marketers?
3. What is the relationship between payment and transaction services offered by financial institutions and the performance of petroleum marketers?
4. What is the relationship between insurance services provided by financial institutions and the performance of petroleum marketers?

### **Hypotheses**

The study will test the following null hypotheses at a 0.05 level of significance:

**Ho1:** There is no significant relationship between access to credit from financial institutions and the performance of petroleum marketers in Nigeria.

**Ho2:** There is no significant relationship between financial advisory services provided by financial institutions and the performance of petroleum marketers.

**Ho3:** There is no significant relationship between payment and transaction services offered by financial institutions and the performance of petroleum marketers.

**Ho4:** There is no significant relationship between insurance services provided by financial institutions and the performance of petroleum marketers.

## **Literature Review**

### **Impact of Fuel Subsidy Removal on Petroleum Marketers in Nigeria**

The removal of the fuel subsidy in Nigeria, implemented in May 2023, led to a significant surge in fuel prices, with increases ranging from 165% to 181% nationwide (Njoku & Sidhu, 2025). This policy shift placed substantial financial pressure on petroleum marketers, compelling them to secure additional funds to maintain their operations. Many marketers, particularly small and medium-sized enterprises, faced challenges in accessing the necessary capital, leading to disruptions in their supply chains and a decline in profit margins (Shipurut, Onyedikachi, & Abubakar, 2024). The sudden rise in operational costs also affected their ability to compete effectively in the market, as they struggled to absorb the increased expenses without passing them on to consumers (Raifu, 2024).

Furthermore, the broader economic implications of the subsidy removal exacerbated the challenges faced by petroleum marketers. The surge in fuel prices contributed to an overall increase in the cost of living, leading to reduced consumer purchasing power and decreased demand for petroleum products (Musa, 2024). This decline in demand further strained the financial stability of marketers, as they grappled with reduced sales volumes and heightened operational costs. The cumulative effect of these factors underscored the critical need for enhanced access to financial services, including credit facilities, financial advisory services, and insurance, to support the resilience and sustainability of petroleum marketers in the post-subsidy removal era (Idrees, 2024; Gamette, 2024).

### **Challenges Facing Petroleum Marketers in Nigeria**

Petroleum marketers in Nigeria face numerous operational and financial challenges that affect their efficiency and profitability. Limited access to affordable credit remains a major obstacle, as many marketers struggle to meet the stringent collateral requirements and high-interest rates imposed by financial institutions, restricting their ability to expand operations and maintain liquidity (Adebayo & Oladipo, 2020). Additionally, infrastructural deficiencies such as poor road networks, inadequate storage facilities, and inconsistent power supply increase operational costs and hinder smooth distribution of petroleum products (Eze & Nwankwo, 2021). Fluctuating government policies, including fuel subsidy removal and taxation changes, create uncertainty that complicates long-term planning and investment decisions (Oluwaseun, 2020). Security risks, such as pipeline vandalism and armed robbery, further threaten the safe storage and transportation of petroleum products. These challenges collectively underscore the critical need for enhanced support from financial institutions and regulatory frameworks to improve the resilience and performance of petroleum marketers in Nigeria.

### **Economic Benefits of Financial Support**

Access to financial support from banks and other financial institutions provides significant economic benefits for petroleum marketers in Nigeria. Financial services, including credit facilities, financial advisory, payment and transaction services, and insurance, enable marketers to maintain operational liquidity, invest in business expansion, and manage risks associated with price fluctuations and supply disruptions (Okonkwo & Eze, 2021). Access to credit allows marketers to purchase larger volumes of petroleum products, meet supplier obligations promptly, and take advantage of bulk discounts, thereby improving profit margins (Akinola, 2019). Financial advisory services help marketers make informed investment decisions and optimize resource allocation, while payment and transaction services streamline operations and reduce transaction costs. Additionally, insurance services mitigate financial losses arising from operational hazards such as fire outbreaks,

theft, and pipeline vandalism. Collectively, these financial interventions enhance the efficiency, competitiveness, and sustainability of petroleum marketing businesses, contributing positively to the broader economy (Eze & Chukwu, 2022).

## **METHODOLOGY**

This study adopted a correlational research design to assess the impact of financial institutions on the performance of petroleum marketers in Nigeria, with a particular focus on access to credit and other financial services. The design was deemed appropriate because it allows for the examination of relationships between independent variables (access to credit, financial advisory services, payment and transaction services, and insurance services) and the dependent variable (performance of petroleum marketers) without manipulating the variables.

The population of the study comprised all registered petroleum marketers operating within selected states in Nigeria. According to the Petroleum Products Marketing Company (PPMC, 2023), there are approximately 1,200 registered petroleum marketing outlets across these states. The study adopted a sample size of 300 petroleum marketers, which was determined using the Krejcie and Morgan (1970) table for determining sample size from a finite population. The unit of analysis was individual petroleum marketers or managers responsible for financial decision-making within their business operations.

A purposive sampling technique was employed to select respondents who were directly involved in financial management or decision-making in their petroleum marketing outlets. This approach ensured that the selected respondents had sufficient knowledge of the financial services accessed and the operational performance of their businesses.

Data were collected using a structured questionnaire, designed in four sections. Section A captured demographic information of respondents, including age, gender, educational qualification, and years of business operation. Section B measured access to credit, Section C assessed financial services (financial advisory, payment and transaction, and insurance services), and Section D measured the performance of petroleum marketers using indicators such as operational efficiency, profitability, and market expansion. The questionnaire used a five-point Likert scale ranging from "Strongly Disagree" (1) to "Strongly Agree" (5) for the relevant items.

Prior to the main study, a pilot study was conducted with 30 petroleum marketers in a different locality to test the reliability and validity of the instrument. The Cronbach's alpha values for all constructs ranged between 0.78 and 0.87, indicating acceptable internal consistency. Content validity was ensured through expert review by lecturers and industry professionals.

The method of data analysis involved both descriptive and inferential statistics. Descriptive statistics, including frequencies, percentages, means, and standard deviations, were used to summarize respondents' demographic information and responses. For inferential statistics, Pearson correlation analysis was employed to test the hypothesized relationships between access to credit, financial advisory services, payment and transaction services, insurance services, and the performance of petroleum marketers. All hypotheses were tested at a 0.05 level of significance. Statistical analyses were performed using the Statistical Package for Social Sciences (SPSS) version 25.

Ethical considerations were observed throughout the study. Participation was voluntary, and respondents were assured of the confidentiality of their responses. Informed consent was obtained, and data were used solely for academic purposes.

### **Hypothesis 1 (Ho1)**

**Ho1:** There is no significant relationship between access to credit from financial institutions and the performance of petroleum marketers.

			Access to Credit	Performance of Petroleum Marketers
Spearman's rho	Access to Credit	Correlation Coefficient	1.000	.642**
		Sig. (2-tailed)	.	.000
		N	300	300
Performance of Petroleum Marketers	Performance of Petroleum Marketers	Correlation Coefficient	.642**	1.000
		Sig. (2-tailed)	.000	.
		N	300	300

\*\* . Correlation is significant at the 0.05 level (2-tailed).

The result shows a strong positive correlation ( $r = 0.642$ ) between access to credit and the performance of petroleum marketers, with a p-value of 0.000, which is less than the 0.05 significance level. This indicates that petroleum marketers who have better access to credit from financial institutions tend to exhibit higher operational efficiency, increased profitability, and improved business performance. Therefore, Ho1 is rejected.

### Hypothesis 2 (Ho2)

**Ho2:** There is no significant relationship between financial advisory services and the performance of petroleum marketers.

			Financial Advisory Services	Performance of Petroleum Marketers
Spearman's rho	Financial Advisory Services	Correlation Coefficient	1.000	.531**
		Sig. (2-tailed)	.	.000
		N	300	300
Performance of Petroleum Marketers	Performance of Petroleum Marketers	Correlation Coefficient	.531**	1.000
		Sig. (2-tailed)	.000	.
		N	300	300

\*\* . Correlation is significant at the 0.05 level (2-tailed).

The correlation between financial advisory services and the performance of petroleum marketers is positive and significant ( $r = 0.531$ ,  $p = 0.000$ ). This suggests that marketers who utilize advisory services from financial institutions are more likely to make informed business decisions, allocate resources efficiently, and enhance their overall business performance. Ho2 is therefore rejected.

### Hypothesis 3 (Ho3)

**Ho3:** There is no significant relationship between payment and transaction services and the performance of petroleum marketers.

			Payment & Transaction Services	Performance of Petroleum Marketers
Spearman's rho	Payment & Transaction Services	Correlation Coefficient	1.000	.478**
		Sig. (2-tailed)	.	.000
		N	300	300
Performance of Petroleum Marketers	Performance of Petroleum Marketers	Correlation Coefficient	.478**	1.000
		Sig. (2-tailed)	.000	.
		N	300	300

\*\* . Correlation is significant at the 0.05 level (2-tailed).

Payment and transaction services are significantly correlated with the performance of petroleum marketers ( $r = 0.478$ ,  $p = 0.001$ ). Efficient electronic payment and transaction systems reduce

delays, minimize errors, and streamline operational processes, which in turn enhances performance. As the p-value is below 0.05, Ho3 is rejected.

#### Hypothesis 4 (Ho4)

**Ho4:** There is no significant relationship between insurance services and the performance of petroleum marketers.

			Insurance Services	Performance of Petroleum Marketers
Spearman's rho	Insurance Services	Correlation Coefficient	1.000	.421**
		Sig. (2-tailed)	.	.000
		N	300	300
	Performance of Petroleum Marketers	Correlation Coefficient	.421**	1.000
		Sig. (2-tailed)	.000	.
		N	300	300

\*\* . Correlation is significant at the 0.05 level (2-tailed).

Insurance services are positively and significantly associated with the performance of petroleum marketers ( $r = 0.421$ ,  $p = 0.002$ ). This finding implies that marketers who have access to insurance are better protected against operational risks such as theft, fire, or pipeline vandalism, which enhances business stability and overall performance. Therefore, Ho4 is rejected.

#### Discussion of Findings

The findings of the study demonstrate that financial institutions significantly influence the performance of petroleum marketers in Nigeria through access to credit, financial advisory services, payment and transaction services, and insurance services. Specifically, the study revealed a strong positive relationship between access to credit and the performance of petroleum marketers ( $r = .642$ ,  $p = .000$ ). This indicates that petroleum marketers who have better access to credit facilities are more capable of expanding operations, maintaining operational efficiency, and enhancing profitability. This finding aligns with Akinola (2019), who asserted that access to credit improves financial stability and business growth for petroleum marketing firms in Nigeria. The implication for petroleum marketers is that improving access to credit can significantly enhance competitiveness and overall business performance.

Furthermore, the study found a significant positive relationship between financial advisory services and the performance of petroleum marketers ( $r = .531$ ,  $p = .000$ ). Marketers who utilized advisory services from financial institutions demonstrated better decision-making, optimized resource allocation, and strategic planning for growth. This supports the findings of Okonkwo and Eze (2021), who emphasized that expert advisory support from banks enhances operational outcomes and sustainability in small and medium enterprises within the Nigerian oil and gas sector. Therefore, petroleum marketers can improve their performance by leveraging professional financial guidance. In addition, payment and transaction services were found to have a moderate positive relationship with marketers' performance ( $r = .478$ ,  $p = .001$ ). Effective use of electronic payment and transaction systems was associated with smoother operations, reduced delays, and lower transaction costs, ultimately improving overall business performance. This aligns with Eze and Nwankwo (2021), who noted that efficient financial transaction systems enhance operational efficiency and competitiveness among petroleum marketing firms. The implication is that the adoption of modern payment solutions can contribute to significant performance gains.

Finally, insurance services were shown to have a moderate positive relationship with the performance of petroleum marketers ( $r = .421$ ,  $p = .002$ ). Access to insurance coverage helps mitigate operational risks such as theft, fire, and pipeline vandalism, thereby promoting business

stability and continuity. This finding supports Adebayo and Oladipo (2020), who highlighted that insurance reduces uncertainties and protects businesses in the petroleum sector. Consequently, petroleum marketers can enhance their resilience and performance by ensuring adequate insurance coverage.

Overall, the findings indicate that financial institutions play a critical role in supporting petroleum marketers. Access to credit, financial advisory services, efficient payment and transaction systems, and insurance collectively enhance operational efficiency, profitability, and sustainability in the petroleum marketing sector. These results are consistent with previous studies, highlighting that well-structured financial support is essential for business growth and resilience in high-risk industries such as petroleum marketing.

## **CONCLUSION**

The study examined the impact of financial institutions on the performance of petroleum marketers in Nigeria, focusing on access to credit, financial advisory services, payment and transaction services, and insurance services. The findings revealed that all four financial services have a positive and significant relationship with the performance of petroleum marketers. Specifically, access to credit strongly enhances operational efficiency and profitability, while financial advisory services improve decision-making and strategic planning. Payment and transaction services facilitate smoother operations and reduce costs, and insurance services mitigate operational risks, promoting stability. Overall, the study concludes that financial institutions play a crucial role in supporting the growth, sustainability, and competitiveness of petroleum marketers in Nigeria.

## **RECOMMENDATIONS**

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

1. Financial institutions should develop more flexible credit schemes with reduced collateral requirements and favorable interest rates to enable petroleum marketers, particularly small and medium-scale operators, to expand operations and maintain liquidity.
2. Banks and other financial institutions should provide targeted advisory services to petroleum marketers, including business planning, investment strategies, and risk management, to improve decision-making and long-term sustainability.
3. Petroleum marketers should adopt modern electronic payment and transaction platforms provided by financial institutions to reduce operational delays, lower transaction costs, and enhance overall efficiency.
4. Petroleum marketers should be encouraged to secure adequate insurance for their businesses to mitigate risks such as fire, theft, and pipeline vandalism.
5. Regulatory agencies and government bodies should facilitate policies that promote easier access to financial services for petroleum marketers, ensuring that financial inclusion translates into improved business performance and sectoral growth.

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