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IMPLICATIONS OF OIL PRICE DROP ON SUSTAINABLE ECONOMIC GROWTH AND DEVELOPMENT IN NIGERIA

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Abstract: The study investigated the implications of oil price drop on sustainable economic growth and development in Nigeria using time series data for over a period of 31 years i.e. 1986- 2015 generated from the Central Bank of Nigeria Statistical Bulletin and National Bureau of Economic Research data. The study used ordinary least square regression (OLS) techniques for data analysis. The Johansen Co- integration test was conducted to ascertain the long-run equilibrium condition of the variables in the model. The variables were co- integrated because four co- integrating equations were formed. The Parsimonious model was established to account for the short- run dynamic adjustments required for stable long-run equilibrium. This indicates that if non-oil export is increased, it will lead to a significant improvement in the level of Nigerian economic growth and development. Other variables have individual significant implications on economic development and growth but jointly they were influenced by oil price drop. The study further reveals that both external reserve and domestic consumption rate were negative, thus indicating disequilibrium on Nigerian economy.

Keywords: Exchange Rate, GDP, Domestic Consumption Rate, Oil Price drop, Crude Oil Export.

Introduction

Before the discovery of oil in 1956 in Nigeria, Nigeria was famous in her agrarian economy through which cash crops like palm produce, cocoa, rubber, timber, groundnuts, were exported, thus making Nigeria a major exporter in that respect. Nigeria is the largest in Africa and the world's 10th in terms of crude oil reserve. At present, the dwindling rate of crude oil production, the largest earner of foreign exchange is no longer feasible (Uzonwanne, 2015)

The economy of any nation is highly important to the growth and development of that nation as well as the well being of her citizens, which is nonetheless dependent on how effective and efficient those at the helm of managing such an economy perform.

The discovery of crude oil and exploration in 1958 has contributed significantly to Nigeria's being the largest economy in Africa. This fortune, however, has come with a toll as the country has an unhealthy dependence on crude oil, whilst neglecting other sectors of her economy. The GDP over the years has responded to changes in crude oil prices. The period of oil crisis and the oil embargo in the 1970s led to significant oil price hikes, thereby flooding the economies of oil exporting countries with petrol dollars (Adegbite & Arasomwan, 2016).

The gulf war of the early 1990s resulted in major hikes in prices, with significant crude oil proceeds making its way into the Nigerian economy. While this period could easily have been Nigerian's golden year according to Adegbite & Arasomwan (2016), it became what has now come to be known as the "wasted years". Some of the factors that have further exacerbated the challenges that have faced the growth and development of the Nigerian economy include:

- Uncoordinated developmental efforts since independence by different governments evidenced by many uncompleted and abandoned white elephant projects that litter every nook and cranny of the country.
- Inability of successive governments to diversify the economy using the excess crude revenue generated over the years.
- Low strategic investment in the human capital development in all sectors including the petroleum industry that was laying the golden egg. Today after 50years of exploring crude, the National Oil Company cannot compete with its peers in other oil exporting countries such as Statoil of Norway, Petrobras of Brazil and Petronas of Malasia (Adegbite& Arasomwan, 2016).
- Inadequate investment in critical infrastructure to support the exploding population increase.
- Lack of or inadequate investment in Education.

This study tends to investigate the implications of growing fiscal challenges as a result of oil price drop on sustainable economic growth and development in Nigeria.

Statement of the Problem

The current recession in Nigeria supposedly caused by oil price crash and rising exchange rate is the highest point of obvious obnoxious negligence on the part of past Nigerian leaders. According to National Planning Commission (2011), the Nigerian's development efforts have over the years been characterized by lack of continuity, consistency and commitment (3Cs) to agreed policies, programs and projects as well as absence of a long-term perspective. The culminating effect has been growth and development of the Nigerian Economy without a concomitant improvement in the overall welfare of Nigeria citizens. Disregard to these 3Cs has resulted in rising unemployment, inequality and poverty in the country.

Adegbite and Arasomwan, (2016), observe that Nigerian economy is currently in a dilemma. They also observed that at no time in Nigerians 55=years history has it come face to face with this many destabilizing challenges like the persistent rise in exchange rate and drop of oil price as low as 20% is affecting its economic, political and social life.

The discovery of 'black gold' (crude oil), was the beginning of Nigeria's problem especially in her political landscape, where most of the politicians find themselves in a do-or-die power tussle in a bid to have themselves rooted in the government in order to have passable or easy access to the dividend of national cake, our precious oil proceeds for their egocentric satisfaction (Essay UK, 2016).

The monthly federal revenue allocation was synonymous with funfair and celebration as the various states gather round the table to share the 'national cake'. There was no thought for tomorrow- no savings and no investments for the rainy day. Our leaders looted the public coffer without any sense of decency. Corruption among public officers became the norm. Our leaders according to Ezekwesili (2006) had a wrong sense of security or overconfidence that oil would persist in its continuous supply of revenue to spur national development, which resulted in poor policies and institution initiations. The oil boom witnessed in the second republic made our able-bodied youths to migrate from their villages into the cities centers as 'emergency contractors' and the agriculture sector was also neglected which engendered a great shortage of internal food supply whilst spurring an alternative of indulging in the high importation of foodstuffs that had consumed a substantial percentage of the nation's foreign exchange reserve (Ijiomah, 2002).

Oil price drop and rising exchange rate have multiplier effects on all sphere of Nigerian economy which is characterized by the following;

- High unemployment rate
- High level of poverty and hunger
- High corruption index

- Unequal distribution of national revenue.
- Lack of autonomy of states or dependency of states on the federal government (Essay UK, 2016).

The problem which this study seeks to address is the appraisal of the implications of oil price drop on the sustainability of economic growth and development in Nigeria.

Objectives of the study

The broad objective of the study is to appraise the implications of oil price drop on sustainable economic growth and development in Nigeria. The specific objectives are to;

1. Ascertain the effects of oil price drop on External Reserve in Nigeria.
2. Determine the implications of oil price drop on Crude Oil Export in Nigeria.
3. Assess the impacts of oil price crash on Domestic Consumption rate in Nigeria.

Research Questions

i. What are the effects of oil price drop on external reserve in Nigeria?
ii. How does oil price drop respond to crude oil export in Nigeria?
iii. What are the effects of oil price drop on domestic consumption?

2.0 Review of Related Literature

2.1 Emergence of Crude Oil in Nigeria

Oil was discovered in Nigeria in 1956 at Oloibiri in the Niger Delta after half a century of exploration. The discovery was made by Shell-BP, at the time the sole concessionaire. Nigeria joined the ranks of oil producers in 1958 when its first oil field came on stream producing 5,100 bpd. After 1960, exploration rights in onshore and offshore areas adjoining the Niger Delta were extended to other foreign companies. In 1965 the EA field was discovered by Shell in shallow water southeast of Warri. In 1970, the end of the Biafran war coincided with the rise in the world oil price, and Nigeria was able to reap instant riches from its oil production. Nigeria joined the Organization of Petroleum Exporting Countries (OPEC) in 1971 and established the Nigerian National Petroleum Company (NNPC) in 1977; a state owned and controlled company which is a major player in both the upstream and downstream sectors (Blair, 1976 in Odularu, 2008).

Following the discovery of crude oil by Shell D'Arcy Petroleum, pioneer production began in 1958 from the company's oil field in Oloibiri in the Eastern Niger Delta. By the late sixties and early seventies, according to Odularu, (2008), Nigeria had attained a production level of over 2 million barrels of crude oil a day. Although production figures dropped in the eighties due to economic slump, 2004 saw a total rejuvenation of oil production to a record level of 2.5 million barrels per day. Current development strategies are aimed at increasing production to 4million barrels per day by the year 2010 (Genova and Toyin, 2003).

Petroleum production and export play a dominant role in Nigeria's economy and account for about 90% of her gross earnings (Ajakaiye, 2001). This dominant role has pushed agriculture, the traditional mainstay of the economy, from the early fifties and sixties, to the background.

While the discovery of oil in the eastern and mid-western regions of the Niger Delta pleased hopeful Nigerians, giving them an early indication soon after independent economic development was within reach, at the same time it signaled a danger of grave consequence: oil revenues fueled already existing ethnic and political tension and actually "burned" the country. This tension reached its peak with the civil war that lasted from 1967 to 1970. As the war commenced, the literature reflected the hostility, the impact, and fate of the oil industry (Ajakaiye, 2001).

Nigeria survived the war, and was able to recover mainly of the huge revenues from oil in the 1970s. For some three years an oil boom followed, and the country was awash with money. Indeed, according to Odularu (2008), there was money for virtually all the items in its developmental plan. The literature of the postwar years shifted to the analysis of the world oil boom and bust, collectively known as the "oil shock." Starting in 1973 the world experienced an oil shock that rippled through Nigeria until the mid - 1980s. This oil shock was initially positive for the country, but with mismanagement and military rule, it became oil economic disaster. The larger middle class produced by the oil boom of the 1970s gradually became disenchanted in the 1980s, and rebellious in the 1990s (Genova and Toyin, 2003).

The enormous impact of the oil shock could not escape scholarly attention. For almost twenty years (1970s - 1990s), the virtual obsession was to analyze the consequences of oil on Nigeria, using different models and theories. A set of radical-oriented writers was concerned with the nationalization that took place during the oil shock as well as the linkages between oil and an activist foreign policy. Regarding the latter, the emphasis was on OPEC, Nigeria's strategic alliance formation within Africa, the vigorous efforts to establish the Economic Community of West African States (ECOWAS), and the country's attempts to use oil as a political weapon, especially in the liberation of South Africa from apartheid (Jaidah, 1982).

If many had hoped that oil would turn Nigeria into an industrial power and a prosperous country based on a large middle class, they were to be disappointed when a formally rich country became a debtor nation by the 1980s. The suddenness of the economic difficulties of the 1980s "bust years" had an adverse effect on class relations and the oil workers who understood the dynamics of the industry. As if to capture the labor crisis, writings on oil workers during this period covered many interrelated issues, notably working conditions, strikes, and state labor relations. To be sure, labor issues were not new in the 1980s, since the left-oriented scholars had made a point of exposing labor relations in the colonial era. What was new after 1980 was the focus on oil workers, unions, and class conflict [OPEC Annual Report, 1983].

2.2 The Performance of the Oil Sector in Nigeria

The Nigerian oil sector can be categorized into three main sub-sectors, namely, upstream, downstream and gas. The most problematic over the years has been the downstream sector, which is the distribution arm and connection with final consumers of refined petroleum products in the domestic economy. The incessant crisis in supply of products culminated in the decision by Government in 2003 to deregulate the downstream sub-sector. However, the manner of its implementation has been controversial because it ignores the economic realities in Nigeria (Todaro and Smith, 2004).

Oil production by the joint venture (JV) companies accounts for about 95 % of Nigeria's crude oil production. Shell, which operates the largest joint venture in Nigeria, with 55 % Government interest (through the Nigerian National Petroleum Corporation, NNPC), produces about 50 % of Nigeria's crude oil. Exxon Mobil, Chevron Texaco, ENI/Agip and Total finaElf operate the other JV's, in which the NNPC has 60 % stake. (Odularu, 2008) The over-dependence on oil has created vulnerability to the vagaries of the international market, as observed in the preceding section that show the contribution of oil to some macro-economic variables.

In particular, the place of oil in the mind of the average Nigerian has become more profound since the deregulation of the downstream segment of the Nigerian oil industry in 2003. The contradiction is more glaring now with the then rise in crude oil prices at the global markets, which meant more external earnings for Nigeria, but also increased the expense burden on imported refined petroleum products. It is such contradictions that make the Nigerian economy appear strange at times, as policies seem to ignore what appears obvious to do. As such, policies designed to address the deficiencies and defects in the structure end up being poorly articulated and/or implemented because of regional, political or rent-seeking selfish interests (Alkali, 2016).

Obviously, it is the same rent-seekers that continually sabotage the reinvigoration of the domestic refineries, making Nigeria to depend on importation of refined products to meet the domestic need. At present, Nigeria has four refineries, with a combined installed refining capacity of 445,000 barrels per day (bpd). These four refineries are:

1. The first Port Harcourt Refinery was commissioned in 1965 with an installed capacity of 35,000 bpd and later expanded to 60,000 bpd.
2. The Warri Refinery was commissioned in 1978 with an installed refining capacity 100,000 bpd, and upgraded to 125,000 bpd in 1986.
3. The Kaduna Refinery was commissioned in 1980 with an installed refining capacity of 100,000 bpd, and upgraded to 110,000 bpd in 1986.
4. The second Port Harcourt Refinery was commissioned in1989 with 150,000 bpd processing capacity, and designed to fulfill the dual role of supplying the domestic market and exporting its surplus (Odularu, 2008).

The combined capacities of these refineries exceed the domestic consumption of refined products, chief of which is premium motor spirit (gasoline), whose demand is estimated at 33 million litres daily. The refineries are however, operating far below their installed capacities, as they were more or less abandoned during the military era, skipping the routine and mandatory turnaround maintenance that made products importation inevitable. Importation notwithstanding, there have been persistent product shortages that gave strength to the argument for deregulation of the downstream oil subsector in Nigeria (CBN, 2002).

The monetization of oil revenue has been a major factor in liquidity management in Nigeria. Measuring liquidity as the narrow and broad money definitions by the CBN, the early 1990s saw increases that were dampened by 1995 up until the civilian administration came on board in 1999. The new Government maintained disciplined fiscal operations for about one year and thereafter, the floodgates were opened. Since then, the CBN has been battling to keep liquidity in check, in order to ensure that it does not create adverse effects on the three key macroeconomic prices (i.e., interest rate, exchange rate and inflation rate). The greatest challenge is when Nigeria generates more revenue from crude oil sales than it budgeted. Such excesses have always been monetized, creating market distortions and inflationary pressure (Adedipe 2004].

The same argument goes for deficit fiscal operations in comparison to the GDP. The pattern of this ratio indicates the optimism that accompanies increase in oil revenue and makes Government to engage in frivolous spending or unnecessary projects. Deficit spending invariably makes Government resort to borrowing from the Central Bank through the instrument of Ways and Means Advances, which later convert into short-term debt instruments that are quite expensive to service at market rates (CBN, 2002).

2.4 Contribution by Oil Industry to Nigerian Economy

Odularu (2008) observes that over the past fifteen years the oil industry has made a variety of contributions to the Nigerian economy. These have included the creation of employment opportunities; local expenditure on goods and services; contributions to government revenues, to gross domestic product, and to foreign exchange reserves; and the supply of energy to industry and commerce.

1. Employment Opportunities.

One of the first contributions of the oil industry to the Nigerian economy was the creation of employment opportunities. From the start, Nigerians were employed in a variety of non-basic activities such as the building of roads and bridges, the clearing of drilling sites, transportation of materials and equipment, and the building of staff housing and recreational facilities. As time went on and as the industry's training programme progressed, they began to be employed in seismic and drilling operations, and in supervisory and managerial functions (Genova and Falola, 2003).

2. Contribution to Gross Domestic Product

In general, the contribution of an industry or branch of activity to the gross domestic product (at factor cost) during any accounting period is measured by its gross output less the cost of inputs-materials, equipment, services, etc. purchased from other industries or branches of activity. (Deduction of any taxes net of subsidies paid, gives the gross domestic product at market prices). The gross output of the petroleum sector consists of the proceeds from oil exports, local sales of crude oil for local refining, and local sales of natural gas. But because of the massive involvement of foreign operators in the Nigerian petroleum industry, not all of the industry's value added is retained in the country; at the moment a substantial proportion is sent out in the form of factor payments profits, dividends, interest, fees, and wages and salaries paid abroad. It is therefore more realistic to consider the industry's contribution to gross national product i.e., gross domestic product less factor payments made abroad. The industry's value added can also be obtained by adding together the various payments to the government in the form of rents, royalties, profit taxes, harbor dues, etc.; the wages and salaries of employees paid locally; and any net retained earnings (CBN, 2002).

3. Local Expenditure on Goods and Services

The oil industry's periodic injection of purchasing power through its local expenditure on goods and services is another of its important contributions to the Nigerian economy. Apart from direct payments to the government, oil industry expenditure in Nigeria takes the form of payments of wages and salaries, payments to local contractors, local purchases of goods and services, harbor dues, vehicle licenses, telephone and postal charges, local rents, educational grants and scholarship awards, donations and subventions, and other minor social charges Cumulative expenditure on these items totaled about N950 million by the end of 1974. Apart from the direct stimulation given to the producers of these goods and services such injections also exert secondary influences, through the multiplier process, on the level of output and employment in other related sectors of the economy, the magnitude of the overall effect depending on the size of the initial injection and the extent of leakages out of the local economic system that may exist (Odularu, 2008).

4. Contributions to Government Revenues

Odularu (2008) observes that the payment of substantial revenues to the government is another important aspect of the contribution of the oil industry to the Nigerian economy. The significant increase in government receipts in recent years is a reflection of three factors: increased crude oil production in Nigeria; the huge increase in crude oil prices and the more favorable fiscal arrangements obtained by the government as a result of its improved bargaining position over the years. At the early stages of oil operations when the prospects of establishing a viable oil industry in Nigeria were rather uncertain, the government was in a weak bargaining position via the oil companies. Consequently, the terms negotiated at that time with the Shell-BP Petroleum Company of Nigeria were favorable to the Company, and included relatively low concession rents, a 12.5 per cent royalty rate, a 50150 profit-sharing formula based on realized prices, and large capital allowances (Odularu, 2008). The use of realized prices in the calculation of taxable profits meant that the country's oil revenues fell as oil prices fell throughout most of the 1960. But as the country's oil prospects improved and the government's bargaining power consequently increased, these terms were progressively revised to take account of the changed conditions. These changes resulted in a significant increase in government oil revenues, particularly in 1973 and 1974. As noted above, a large part of the increase in oil revenues was accounted for by the huge increase in crude oil prices during 1973-74.

How far oil prices will continue to be high in the future will depend on the balance between the demand for and the supply of energy-in particular, on the level of economy in energy consumption, and the speed of development of substitute fuels in consuming (Madujibeya, 1976).

5. Foreign Exchange Reserves

This is an important aspect of the oil industry's contribution to the Nigerian economy, which could not have come at a more opportune moment because the country is embarking upon a massive programme of industrialization and economic development which postulates huge imports of capital goods and specialized services involving massive expenditure of foreign exchange. In many underdeveloped countries, especially those that depend heavily on a narrow range of primary commodities, acute shortages of foreign exchange, often exacerbated by massive declines in world commodity prices, constitute a major obstacle to effective economic development (Falola, 1999). The oil industry in Nigeria now has substantial foreign exchange reserves and is in the healthy position of being able to finance the foreign exchange cost of her development programmes. The industry's contribution to foreign exchange is not measured by the gross value of crude oil exports because the practice followed by the oil companies is to retain the entire proceeds from exports abroad, and to remit to the producing country only the amount needed to sustain their local operations (OPEC, 1983).

6. Contribution to Energy Supply

Another contribution of the oil industry to the Nigerian economy is the provision of a cheap and/or readily available source of energy for industry and commerce, through the operations of the local refinery and the utilization of locally discovered natural gas. The Elesa Eleme refinery, near Port Harcourt, which came into operation in November 1965, had an initial capacity of 1.9 million tons per annum, and was designed to meet the country's main product requirements at that time, with the exception of bitumen, aviation gasoline, and lubricating oils. A liquefied petroleum gas plant, with a capacity of 15,000 tons per annum, was added in 1966. The refinery was damaged during the civil war but has since been rebuilt and expanded to a capacity of about 2.75 million tones. It is planned further to expand the capacity of the refinery to 3.75 million tons per annum and to build two new refineries one at Warri in Bendel State (now Delta State) and the other at Kaduna in Kaduna State-during the current National Development Plan (1975 - 1980). The objective is to eliminate the scandalous shortage of petroleum products in a country that is currently swimming in oil (Ajakaiye, 2001).

2.5 Challenges of Exchange Rate fluctuation as a result of Oil Price drop on Economic Growth and Development in Nigeria

Essay UK (2016), listed the following as some of the challenges of rising exchange rate and oil price drop on economic growth and development in Nigeria.

a. **Official Corruption:** Official corruption has been analyzed to be one of the major problems that have hindered Nigeria from experiencing true national development. Corruption is like a hydra-headed monster or cankerworm that has eaten deep into the roots of Nigeria's political system which has affected different aspects of Nigeria's development. According to the Corruption Perception Index (CPI) Nigeria was rated on an average of 1.42 between 1996 and 2004 and was rated the most corrupt country in 1998 with an index of 9.7% (Bawa and Mohmmed, 2007). Huge largesse of revenue that ought to be used in developing different sectors of the economy have been siphoned, mismanaged and embezzled impulsively by corrupt politicians and cabals or elites in the country who are closely affiliated. Corruption is common in almost all fabrics of the Nigerian system, which has dented the image of the nation. Several Nigeria leaders have been found to have looted money deposited in private accounts abroad. Just like Bawa and Mohammed (2007) in their study observes that former military Head of State, late General Sani Abacha had looted '$8 billion of Nigeria's funds into fictitious accounts in European, Asian, American, Caribbean and Arab countries which several attempts has been made by government officials to recover'. The duo referred to this as a 'predatory gradational tendency' which has repercussive effects on Nigeria's development. Accordingly, they further submitted that the embezzlement or divergence of allocated funds by these public office holders comes with some repercussive effects such as the 'pauperization of the masses with physical manifestation of poor road network, epileptic power supply, general infrastructural decay and poor standard of living.

b. **Brain drain:** Shamija (2006) in Essay UK (2016), captured brain drain as a serious impediment to the realization of the aspiration of developing countries like Nigeria in science and technology. They confirmed that due to the poor infrastructure in our Nigerian Universities and Polytechnics, advanced countries have attracted thousands of our lecturers who flee from their developing countries to these more developed countries where these ones end up offering their genius skills and abilities to the further improvement of the developed world.

c. **Mismanagment of national revenue:** According to Krabacher (2011), mismanagement of national revenue has persisted as one of the problems inhibiting proper national development in the country. During the times when Nigerian experienced an oil boom that ought to have raised the chances of true development in the country, the country was noted for wasteful spending of its revenues mostly on projects that didn't yield innovative returns.

d. **Inadequate healthcare/poor infrastructure**: Our health care infrastructure is still primitive and stagnant with each succeeding government either paying lip service to improve it. Over the past 100 years, our infrastructure deficit is better imagined. Road networks have collapsed despite huge resources expended or budgeted by succeeding governments under different programmes to make our roads passable. It is horrifying and unimaginable how much man-hours and human lives are lost on death traps we call roads annually. Unfortunately, the numbers of households that own automobiles seem to have grown over the years, yet the quality of road infrastructure is detestable. Our education sector over the last hundred years has gone worse as manifested in the production of half-baked graduates, disenchanted lecturers who teach with outdated curriculum and in dilapidated infrastructure resulting in Universities that turn out large numbers of graduates unfit for today's work place while the government officials have all their children in schools abroad, even as close as Ghana, which represents a huge source of foreign exchange earnings for colleges and universities in Europe, America, Asia and even Ghana a West African neighbor. The Malaise that has seen Nigeria go down the slope in the last hundred years is hydra headed and can be traced to inept leadership and corruption. In the last hundred years, all we have seen are leaders whose sole agenda is self-aggrandizement and looting of the nation's treasury with impunity while mouthing service to the people. Osisioma (2012) sadly submitted that despite fifty years of reforms, Nigeria is characterized with the following:

i) A public-sector led economy with a bloated government presence in every facet of national life;
ii) A nation with very weak private sector which has grown a 'rent-seeking and unproductive culture of over-dependence on government patronage and contracts, with little or no value added' (Harneit-Sievers, 2004);
iii) A mono-crop economy with preponderant influence of one commodity in the nation's revenue-expenditure profile and the balance of payment position;
iv) An extractive and primary economy that produced unrefined raw materials for export, either in the form of agricultural products or crude oil. Manufacturing was at a very rudimentary stage, and industrialization remained an inconsequential factor in the nation's economic equation;
v) A nation without an effective industrial infrastructure for economic take-off - no petro-chemical industry to fuel the industrialization process, no effective iron and steel complex to produce flat steel, a deficient power and energy sector, insecure and inhospitable environment, and poor communications;
vi) An economy with a weak and tottering national currency that was the whipping boy of the international financial community (Osisioma, 2012 in Essay UK, 2016).

e. **Power generation:** Okon (2014) describes the pathetic nature of the country's power infrastructure as a hindrance to economic development in the country and that for Nigeria to meet up to the level of South Africa's power generation, 50, 000 megawatts needs to be added to the present generation of power which is currently at about 4, 000 megawatts.

f. **Effective planning:** A country that seeks to experience development must necessarily take into cognizance effective planning just as some scholars have postulated. Abe and Lawal (2011) in their analysis found out that most of Nigeria's development plans and strategies had turned out to be futile in achieving a successful implementation and questioned whether the inability of the country to experience meaningful development can be attributed to the implementation failure of previous plans of development. They went ahead in their study to give reasons why these plans and strategies have failed to be properly implemented which has hitherto contributed to the inability of the country to experience true development. Some of the reasons they outlined include:

1. Lack of executive capacity responsible for the formulation and implementation of the plans; where there are only officials entrusted with these positions without authentic executive authority.
2. Failure to consult the general public which resulted in the failure of some of these national development plans, especially the local governments who are supposedly closer are being left out too. They further explained that planning ought to generously involve every part of the population, even to those in a low social class such as peasants in the villages and that 'planning' is not an edifice where technocrats alone operate' (Mimiko, 1998 as cited by Lawal and Abe, 2011).

2.6 Causes and Effects of Oil Price Drop

Adebayo (2016) observes that the oil industry, with its history of booms and busts within the periods of 1973-1974 in Nigeria, is in its deepest downturn since the 1990s as OPEC has had its oil prices been hit by a combination of oversupply, weak global demand, Middle East unrest and the strong US dollar. (Abe and Lawal, 2011).

Many companies have sharply cut investments in exploration and production as a result of this decline in oil prices by more than 60% since June 2014, owing largely to the massive production of oil embarked upon by the United States of America. An estimated 250,000 oil workers have lost their jobs, and manufacturing of drilling and production equipment has fallen as well. Prices have recovered a few times last year, but a barrel of oil has already sunk this year to its lowest level since 2004. Executives think it will be years before oil returns to $90 or $100 a barrel, pretty much the norm over the last decade.

Oil prices settled below $28 a barrel recently for the first time in twelve years as turmoil in Chinese markets and the increase in Iranian crude exports added to concerns that a global glut will linger. Brent crude, the main international benchmark, was trading at around $28 a barrel as at Monday, 18th January, 2016 (Adebayo, 2016) United States domestic production has nearly doubled over the last several years, pushing out oil imports that need to find another home. Saudi, Nigerian and Algerian oil that once was sold in the United States is suddenly competing for Asian markets, and the producers are forced to drop prices to encourage some new buyers. Canadian and Iraqi oil production and exports are rising year after year. Even the Russians, with all their economic problems, manage to keep pumping (Alkali, 2016) On the demand side, the economies of Europe and developing countries are weak and vehicles are becoming more energy-efficient. So demand for fuel is lagging a bit. This is explained when supply exceeds demand, prices would be forced down so as to encourage consumers to buy more and absorb the excesses in the market.

Of course, motorists would enjoy low prices of gasoline. Also lower-income groups benefit a great deal, because fuel costs eat up a larger share of their more limited earnings. But, as the prices of oil have fallen, they have more money at their disposal to plan for consumption and saving. Households that use heating oil to warm their homes are also seeing savings. Of course, some oil-producing countries and states like Venezuela, Iran, Nigeria, Ecuador, Brazil and Russia are just a few petro states that are suffering economic and perhaps even political turbulence.

In the United States, Alaska, North Dakota, Texas, Oklahoma and Louisiana are facing economic challenges. Chevron, Royal Dutch Shell and BP have all announced cuts to their payrolls to save cash, and they are in far better shape than many smaller independent oil and gas producers that are slashing dividends and selling assets as they report net losses. Other companies have slashed their dividends. About 40 companies in North America have gone into bankruptcy protection. (Alkali, 2016)

What is the State of OPEC?
A central factor in the sharp price drops, analysts say is the continuing unwillingness of OPEC, a cartel of oil producers, to intervene to stabilize markets that are widely viewed as oversupplied. How? OPEC can stabilize markets by cutting down on its supply, so as to increase the prices of oil as OPEC members account for more than one-third of the total world oil production (Adebayo, 2016).

Iran, Venezuela, Ecuador and Algeria have been pressing the cartel to cut production to firm up prices, but Saudi Arabia, the United Arab Emirates and other gulf allies are refusing to do so. At the same time, Iraq is actually pumping more, and Iran which is a major exporter has started production again after the sanctions under the recent nuclear deal had been lifted (Adebayo, 2016).

Saudi officials have said that if they cut production and prices go up, they will lose market share and merely benefit their competitors. They say they are willing to see oil prices go much lower, but some oil analysts think they are merely bluffing.

3.0 Methodology
The study made use of time series data between1986-2015 extracted from Central Bank of Nigeria statistical bulletin and Nigeria Bureau of Economic Research Data. The Gross Domestic Product is the dependent variable while the independent variables are External Reserve, (EXR), Domestic Consumption (DOC), and Crude Oil Export (COE). The Ordinary Least Square (OLS) technique was used to obtain the numerical coefficients of different equations using e-views. The OLS method is chosen because it is the best linear unbiased estimator.

3.1 Model Specification
The specification of model is based on empirical work of Odularu (2008), but with some modifications to suit this study.

The econometric model to consider in this study takes External Reserve, Domestic Consumption and Crude Oil Export as explanatory variables and gross domestic product as dependent variable respectively. These variables are used at constant prices. The model is expressed functionally and econometrically in the equation below as:
RGDP = f (EXR, DOC, COE) ---3.1

Linear equation,
Ln RGDP = $\beta 0 + \beta 1$ Ln EXR + $\beta 2$ Ln DOC+ $\beta 3$ Ln COE + μ-----------------3.2
Where
Ln RGDP = Real Gross Domestic Product (Dependent variable)
Ln EXR = External Reserve (independent variable)
Ln DOC= Domestic Consumption (independent variable)
Ln COE= Crude Oil Export (independent variable)
β_0 = constant intercept
μ_ Stochastic or random error term (with usual properties of zero mean and no-serial correlation)
$\beta 1 - \beta 3$= Coefficient of the explanatory variables
A priori Specification: the expected signs of the coefficient of the explanatory variables are:
$\beta_1 > 0$, $\beta_2 > 0$ $\beta 3 > 0$.

4.1 Data Presentation and Analysis

Table 4. 1:

Year	RGDP	EXR	DOC	COE
1986	3.7	2.02	9.93	6.25
1987	0.5	4.02	13.96	11.765
1988	9.2	4.54	16.62	34.24
1989	7.3	7.39	20.44	49.02
1990	8.3	8.04	25.30	7.8
1991	4.6	9.91	20.04	12.195
1992	3.0	17.30	24.76	44.565
1993	2.7	22.05	31.65	57.14
1994	1.3	21.89	20.48	57.42
1995	2.2	81.20	20.23	72.73
1996	3.4	81.20	19.84	29.29
1997	3.2	82.00	17.80	10.67
1998	2.4	84.00	18.18	7.86
1999	2.8	93.95	20.29	6.62
2000	3.9	102.10	21.27	6.94
2001	4.6	111.93	23.44	18.87
2002	3.5	121.00	24.77	12.88
2003	10.335	129.30	20.71	14.03
2004	10.5	133.50	19.18	15.00
2005	5.393	131.66	17.95	17.86
2006	6.211	128.65	16.90	8.22
2007	6.972	134.05	16.94	5.42
2008	5.9846	132.37	15.48	11.58
2009	6.96	132.60	18.36	12.54
2010	7.161	148.68	17.59	13.72
2011	7.356	146.20	16.02	10.80
2012	6.322	150.20	12.00	12.20
2013	7.161	156.00	12.00	10.67
2014	8.2	151.0	13.00	11.3
2015	9.1	160.2	16.6	17.5

Source: CBN Statistical Bulletin and NBER, 2016

4.2 Techniques of Analysis

The OLS method was adopted as technique of analyses. Precisely, Augmented Dickey- Fuller Unit Root (ADF) test as well as descriptive statistics were used to determine stationarity of the data and describe relationship of the variables respectively.

4.3 Analysis and Interpretation of Result

This section presents and interprets data on the implications of Oil Price Drop on sustainable economic growth and development in Nigeria.

4.3.1 Results and Analyses

4.3.2 Unit Root Test

Time series data are characteristically found to be spurious (unreliable) particularly if the data are not stationary. Thus, in order to get rid of this abnormality, the Unit Root test was conducted on each of the variables under study to determine their stationary traits. Evidences suggest that if time series data are not stationary, all the

the study revealed, in other words, that foreign debt had a negative on economic growth. This implies that a unit change in foreign debt brought about a less than proportionate change in real domestic product.

4.3.4 Test of Hypothesis one

Ho$_1$: External Reserve does not significantly respond to Oil Price drop.
Ha$_1$: External Reserve responds significantly to Oil Price drop.

Table 4.4 also presents the regression result of hypothesis one; and reveals that External Reserve (EXR) has a non-significant influence on economic growth in Nigeria within the period studied. This was indicated by the corresponding probability value of the t-statistic 0.0789, which is more than 0.05 critical values.

5. Summary of Findings, Conclusion and Recommendations

5.1 Summary of Findings

Findings arising from the study can be summarized as follows:

i) Oil Price drop had significant and positive effect on External Reserve within the period under review.
ii) Oil Price drop had a significant and negative response to Domestic consumption within the period Studied.
iii) Oil Price drop had no negative response to Crude Oil Export within the period under review.

5.2 Conclusion

This study set out to determine the implications of Oil Price drop on economic growth and development in Nigeria for the period 1986 – 2015. The study adopted the OLS method to trace the responsiveness of economic growth to exchange rate fluctuation. The preliminary test of stationarity using Augmented Dickey-Fuller (ADF) was conducted. The respective test showed that both the dependent variable (RGDP) and the independent variables (EXR, DOC and COE) were stationary at first differencing. Specifically, the study concludes that exchange rate on account of its weak coefficient did not influence economic growth, meaning the contribution made by the former to the latter was statistically non-significant for the period 1986 – 2015. The economic implication is that exchange rate could not be used to forecast improvement in economic growth in Nigeria within the period studied. These findings validated the study of Ogunmuyiwa (2011), Adenira, Yusuf and Adeyemi (2014) as the incident may not be divorced from fiscal imprudence of past military and political leaders in Nigeria at that time. These leaders rather than invest the oil money on productive and infrastructural sectors of the economy chose to invest on fruitless projects that could not generate revenue capable of at least paying off the facility. This resulted to high exchange rate and rising cost of goods and services during the period and fall in investment and growth.

5.3 Recommendations

The following recommendations are made based on the findings of this study.

(1) Government must adopt fiscal adjustment mechanism that can improve its revenue base through tax process.
(2) In order to use foreign reserve to direct economic growth in Nigeria and other highly indebted jurisdictions fiscal prudence and great sense of responsibility in managing public treasury should be the guiding principle of these countries' leadership.
(3) Government should minimize the level of deficit financing for example by borrowing less for effective control of inflation rate in Nigeria. This is absolutely necessary because increase in deficit spending overshoots money supply, which negatively affects output growth.

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