



The Nexus between Oil Activities and Small and Medium Scale Enterprises: An Experience from Eket Senatorial District of Akwa Ibom State

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Abstract

This study examines the nexus between oil activities and small and medium scale enterprises with particular reference to Eket Senatorial District in Akwa Ibom State. Since the discovery of oil in Nigeria particularly in the Niger Delta, the region has been facing high rate of deforestation, gas flaring, aquatic life disturbance, air pollution and other associated problems. Petroleum discovery no doubt became a predominant source of Nigeria's revenue and foreign exchange. It has also been playing a dominant role and occupies a strategic position in the small and medium scale entrepreneurs (SMEs). Study research design was adopted which involves the use of questionnaires, in-depth oral interview and focus group discussion. The study also adopted industrial relations theory, an ideology which binds the industrial relations system together and the body of rules created to govern actors at the work place and work community. Using Taro Yamane formula, the study made use of 352 sample size out of 198,168 people from the three local government areas of Eket Senatorial District. Findings of this study revealed that oil activities impacted positively and adversely on the small and medium scale enterprises within which oil wells are exploited. The study recommended that government at all levels should as a matter of priority endeavor to effectively implement and enforce existing laws to control issues of environmental problems by putting necessary environmental enforcement structures in place to curb the spate of environmental pollution in Nigeria.

Keywords: Activities, Pollution, Environment, Crisis, Entrepreneurs.

1. Introduction

The search for oil petroleum in Nigeria started during the first decade of the 20th century, specifically in 1903, eleven years before amalgamation (Akpan, 2012). Nigeria joined the ranks of oil producers in 1958 when oil was discovered in commercial quantity producing about 5100 barrels per day (Bpd), (Ibaba 2001). Indeed, oil discovery has changed the socio-economic landscape of Nigeria and the thought pattern of the country. According to Ibaba (2001) "Understanding the Niger Delta crisis" while oil was found in large quantity in 1956, it was not until 1958 that the actual production started with an output of 5100 barrels per day. This rose to a peak of about 2,300 million barrels per day at the height of the oil boom in 1980s (Chiyioke; Ebong & Henry, 2018).

Undoubtedly, crude oil discovery has had certain impacts on small and medium scale enterprises both positively and adversely with respect to the surrounding communities and businesses within which the oil wells are exploited. Some of these communities and



businesses suffer from environmental problems which leads to deprivation of means of livelihood and other economic and social factors. Although large proceeds are obtained from domestic sales and export of petroleum products, its effects on small and medium scale enterprises as regards returns and productivity is still questionable, hence the need to evaluate the relative impacts of oil activities on small and medium scale enterprises (SMEs) in Nigeria (Tende & Obumneke, 2014).

Small and medium scale enterprises became a victim of oil activities in the region which came with enormous impacts and devastation, ranging from oil spillage, pollution, high cost of business running's, industrial actions, high cost of transportation arising from hike in petroleum prices and the failure of successful governments to use oil revenue and excess crude oil income effectively in the development of other sectors of the economy especially the SMEs (Yakub, 2008). Small and medium scale enterprises accounts for the economic development in most developed economies of the world today. It has helped in the balance of payment of countries; it reduces over dependence on inputs relative to countries' capital investment (Ekanem, 2006).

Before the discovery of oil, rural communities whose major occupation was farming and fishing have shifted over the years as a result of loss of biodiversity and ecological devastation that is associated with oil activities. Abraham and Ewelike (2016) posited that the once fertile farmlands are no longer suitable for use; the local streams have been flooded with oil spills and toxic substances, fishing activities for consumption grounded and aquatic life virtually castrated by many years of oil prospecting and exploration. Today, the oil producing area is characterized by several environmental problems ranging from soil erosions, water pollution, global warming, and absence of socio- economic and infrastructure development and abject poverty.

The area is facing one of the highest rates of deforestation, gas flaring, aquatic life disturbance, air pollution and other associated problems. The once fertile lands are no longer suitable for cultivation, the local streams have been flooded with oil spills and toxic substances, the fisheries are either contaminated or completely death on daily basis, mangrove swamps forest with all its essentials are gradually devastated and thus paving way for greater environmental problems and grounding of the small and medium scale enterprises development (Abraham & Ewelike, 2016). Incidence of oil spills associated with petroleum activities has been a common occurrence in the oil producing area of Nigeria and it has been an affliction to the host communities since 1956 (Ite, 2013).

According to Edoho (2008), the Niger Delta region have recorded over 2,567,966 barrels of crude oil spills in over 5733 incidences from 1976- 2000, of which 549,060 barrels were recovered while 1,820,411 barrels have not been absorbed by the environment. Study carried out by Ebeku (2002) also shows that the multinational companies created borrow pits in the area were petroleum products and other waste are discharged which overflow into the sources of usable water during rainy season therefore polluting it. The objectives of this study is to examine the effects of oil activities on the small and medium scale



enterprises and to determine peculiar challenges facing small and medium scale enterprises in Eket senatorial district in Akwa Ibom State.

2. Literature Review

The effect of oil activities on small and medium scale enterprises cannot be over emphasized. Some of the effects of oil activities on SMEs include; land degradation, death of fishes, loss of crops, water pollution which invariably resulted in loss of jobs. The region is highly degraded due to the intensive exploitation of oil and gas resource caused by oil spills, gas leaks, gas flairs and land degradation, flooding and erosion (UNEP, 2011). Incidence of oil spills associated with petroleum activities has been a common occurrence in the oil rich Niger Delta region of Nigeria and it has been an affliction to the host communities since 1956 (Ite, 2013).

Effiong and Etowa (2012) posited that the negative impacts on agricultural practices due to oil activities have contributed to the abject poverty and conditions of social deprivation experienced by the communities in the region. The people of the region depend more on the environment for their livelihood, mostly in areas of farming, fishing and other small scale commerce. According to Baghebo (2012), crude oil has contributed to the development of the country, the SMEs in the southern part of Akwa Ibom state has been bedeviled by sustained underdevelopment evidenced by poor human development and economic indices including; poor income distribution, epileptic power supply, loss of farmlands, high cost of transportation, loss of businesses, militancy and oil violence, relative poverty as well as failure of governments to use oil revenue in the development of the economy especially the SMEs. In Okpako (2014) submission, the discovery of oil and gas in the area or country signifies good fortune for that nation and a better fortune for the oil-producing communities because such discovery denotes an end to low standard of living, poverty, illiteracy and all forms of backwardness and suffering but the Niger Delta communities have witnessed the opposite. According to Ekanem, (2006), SMEs accounts for the economic development in most developed economies of the world today. It has helped in the balance of payment position of countries. Ekanem further contended that as oil producing area and with the influx of people propelled by oil exploration, there was high demand for various human needs which is to state the obvious. Akpabio, & Akpan, (2010) revealed that in the past, Mobil Producing Nigeria has made great contributions in the area of road construction, provision of portable water, electricity and health facilities. However, following the merger between Exxon and Mobil (now Exxon Mobil), the company's policy shifted from physical infrastructure to capacity building and economic empowerment. This is evident in various training and support programs embarked upon by the company (David, 2013). Also, Exxon Mobil in partnership with National Petroleum Corporation are said to be making desired contributions to the socio and economic lives of the people; among such contributions are the provision of pipe-borne water, electrification, assistance in health-services and road projects, capacity building etc. According to available reports, apart from infrastructural development Exxonmobil has contributed millions of dollars towards social investment in its host state. This is evident in projects



such areas as health, education, capacity- building and infrastructure (Exxonmobil, 2011). In area of business skill development programme, Exxonmobil has boasted small and medium scale businesses through skills development and business advisory training. In addition, women and youths have benefited from small loans offered by Exxonmobil. Above all, it has sponsored training programmes on business development in each of the three senatorial districts in Akwa Ibom State (NNPC/MPN, 2011).

The contribution of the oil industry on the host communities is not in doubt and commendable, FME (2006), oil exploration activities has rendered the Niger Delta region one of the five most severely petroleum damaged ecosystem in the world. Nwabuenyi (2014), observes that due to the activities of the oil industry, most of the farm lands are destroyed and rivers polluted leading to death of fishes thereby throwing most of the farmers and fishermen into joblessness. According to Osuoka (2003), all the stages of oil production ranging from exploration, drilling totransportation, results in destruction of the environment and the livelihoods of the host communities who depend on the land, rivers and creeks for their survival. Furthermore, Osuoka submitted that, the people of the Niger Delta region and indeed Akwa Ibom remain emasculated and their God's given resources expropriated. In a similar development, land left for the people has also been polluted by activities of multinational companies and marine ecology has been degraded. Pollution of the rivers, streams and creeks has severally debased the fishing occupation, which is the economic life wire of rural dwellers in the Niger Delta (Ndubusi & Asia, 2007). Oil spillages and gas flaring has destroyed the very basis of the economies upon which many Niger Delta communities depend. To corroborate the above assertion, Idumu, (2008) confirmed that million assorted fishes were seen dead in the swamps near the flow station of Elf Petroleum (NIG) Limited.

Onuegbu (2018) postulated that fishermen in Akwa Ibom state have identified pollution of waters/rivers by oil multinational companies as the major problem militating against their operations. Representatives of the fishermen lamented their plight at a 'fishnet community dialogue, organised by the Health of Mother Earth Foundation (HOMEF) in collaboration with Rosa Luxemburg Foundation, West Africa, Ibeno. They complained that fishermen are now recording low yield because of contaminant of the rivers by the oil companies, a situation that has led to security and high cost of fish in Nigeria markets. Agbu (2005) noted that the incessant oil spills and accidental blow outs resulting from ill-maintain and over-aged oil pipelines and oil well heads make Akwa Ibom State and other parts of the region to record highest incidence of oil spillages and environmental pollutions. According to UNDP (2006), oil spillages and gas flaring are common occurrences in the Nigerian oil industry and that there were 6817 oil spills incidents in Nigeria between 1976- 2001. It submitted that over 70% of the spilled oil was not recovered and very few of these spill sites were not remediated till date. In his submission, Phenson (2014) posited that oil and gas companies in the state do not readily compensate the victims of their polluting sites nor remediate their damaged environment instead they opt for long-drawn or protracted legal



battles resulting in the frustration and inevitable protest by the indigenes or actual death of the victims.

Theoretical Framework

The study adopted Industrial Relations Theory. Industrial Relations theory refers to a way and manner the employer and the employees relate in the work place. It involves interactions between the management and the workers. Different theories of industrial Relations have been propounded by various scholars at explaining different inclinations, these are; the Unity theory, Conflict/pluralist theory, Marxist theory and social action theory.

Unity theory: This theory refers to an organization having one legitimate unified authority. It is unified because everyone is regarded as a team player who shared common interest. In such a unified entity, conflict is always seen as an aberration.

Conflict/Pluralist theory: In every organization, conflict is inevitable due to conflict of interest but the ability to resolve it through compromise agreement and collective bargaining is kettle of fish. Conflict theory believed that the trade unions are legitimate representatives in an organization.

Marxist theory: Marxist theory is the class conflict between the capitalist and the labor. It is a true reflection of injustices and inequalities in the society. While the capitalist tends to maximize profit, the workers in the other hand tries to sell its only asset at a highest possible price in order to ensure his existence.

System theory: System theory is industrial relations of the sub-system of a wider society. It derives its name from the functionalist perspective of social system. System theory states that if the society must function optimally all the parts of the society have to contribute to the entire whole. Otobo (2000) argues that “An industrial relations system at any one time in its development is regarded as comprised of certain actors, certain contexts, an ideology which binds the industrial relations system together and the body of rules created to govern actors at the workplace and work community”.

3. Methodology

The study was conducted in Eket senatorial district of Akwa Ibom State. The State is divided into three senatorial districts: Uyo, Ikot Ekpene and Eket senatorial districts. The survey was carried out in Eastern Obolo, Esit Eket and Ibeno Local government areas in Eket Senatorial district. The three local government areas are situated between latitude 4⁰33' and 4⁰42'N and longitude 7⁰50' and 8⁰ 15'E and a total land area of 535,382 Sq. km. The reason for selecting these local government areas is because they display similar characteristics. Above all, these are the areas where most of the oil companies and facilities are located. Apart from crude oil, the area is also rich in many other mineral resources such as natural gas, forest and marine resources.

The study population of the areas according to 2006 population figure has 198,168 people. Due to the non- conduct of census in recent time, the study adopted the population growth rate of 1.5% per annum (NPC, 2022) using geometrical growth model. Therefore, the total



population of the area is 252,900 make-up of Eastern Obolo – 76,500, Esit Eket – 80,900 and Ibeno – 95, 500.

The study adopted Michael slovins statistical formula which allows the researcher to have a confidence level of 95% and error margin of 0.05 to determine the sample size. Hence, a sample of 352 was selected from out of 198,168 people from the three local government areas of Eket Senatorial District.

This research work adopted survey research design and simple random sampling method for selection of members of the population. The research instruments for this study were questionnaires, in-debt interview and focus group discussion. Questionnaires constitutes the major instruments of data collection because of its obvious advantages over other instruments. After the field work, the data were analyzed using quantitative and qualitative method of analysis which involves the use of simple percentages, frequency distribution and tabulation while qualitative entails narrative or descriptive presentation of data.

4. Result

Table 1: Distribution of respondents on effects of oil activities on small and medium scale enterprises in Eket Senatorial District

Items	Frequency	Percentage
Degradation of farmlands	86	24.4
Death of fishes	77	21.9
Water pollution	65	18.5
Loss of crops	73	20.7
Loss of employment	51	14.5
Total	352	100.0

Source: Field Survey, (2023)

The Table 1 shows that 24.4% of the respondents stated that oil activities affected their farmlands negatively, 21.9% complained of death of fishes and aquatic life, 18.5% believed that oil spills polluted their rivers and underground waters, 20.7% complained of loss of crops while 14.5% of the respondents believed it has rendered the people redundant since they could not engage in their daily activities. From the analysis, it is evident that there is high level of land degradation as a result of oil activities. One of the entrepreneur interviewed said;

“Activities of oil companies have damaged the traditional economic mainstay of the people which pushed a good number of the people to poverty and joblessness as supported by Effiong and Etowa (2012) that the negative impacts on agricultural practices by oil extraction activities have contributed to the abject poverty and conditions of social deprivation experience by the people”

It is evidently clear that oil activities have contributed to the devastation witnessed by the people. The farmlands and other traditional economic mainstay have been degraded as a result of the activities of the oil companies operating in the area.

Table 2: Distribution of respondents on challenges affecting small and medium scale enterprises in Eket Senatorial District.



Items	Frequency	Percentage
Inadequate power supply	56	15.9
Loss of farmlands	88	25
High cost of transportation	73	20.7
Loss of businesses	78	22.2
Inadequate manpower	57	16.2
Total	352	100.0

Source: Field Survey (2023)

Scrutiny of the Table 2 reveals that 25% of the respondents are of the opinion that loss of farmlands is the most challenging factor on the small and medium scale enterprises. 22.2% attributed loss of businesses as one the factors affecting small and medium scale enterprises while 20.7% of the respondents attribute it to high cost of transportation. 16.2% of the respondents say it is inadequate man power while 15.9% attribute it to inadequate power supply. The data shows that so many people lost their farmlands as a result of oil activities which invariably affected small and medium scale enterprises. In the interview session, a man was asked what are the challenges faced by small and medium scale businesses;

“Loss of farmlands, loss of various businesses and high cost of transportation as well as inadequate power supply due to high cost of petroleum products as supported by Phenson (2014) that oil and gas companies in the state do not readily compensate the victims of their pollution sites nor remediate their damaged environment instead opted for long drawn or protracted legal battles resulting in the frustration and inevitable protest by the indigenes or actual death of the victims”

The above assertion is a reflection of the attitude of the oil companies as concern the welfare of the people. The issue of compensation to damage environment has always been a recurring experience. This study revealed that oil activities are known to affect small and medium scale enterprises by rendering the people jobless as a result of the devastation caused by oil spills and pollution. It was also revealed that some of the challenges face by small and medium scale enterprises in the area is as a result of the oil companies operating there. They employ divide and rule system when there is need for compensation due to oil spills or pollution in the area. Finally, it was also revealed that the problems facing small and medium scale enterprises have been traced to failure of successful governments to use oil revenue and excess crude oil income effectively in the development of oil bearing communities and other sectors of the economy especially the SMEs. It also revealed that high cost of premium motor spirit (PMS) leads to increase in cost of production and distribution of goods and services including agricultural products.

5. Conclusion and Recommendations

The discovery of oil in Nigeria in 1958 has significantly impacted on the economy of the country and indeed the Niger Delta region. Crude oil production dominates Nigerian economy accounting for over 90% of the export earnings. Although it has been a major contributor of the GDP, it has also brought untold hard ship to the people due to pollution,



gas flaring, deforestation, oil spillage, erosion and farmland degradation because of the activities of the multinational companies operating in the oil producing areas.

To correct the injustice perpetuated by multinational oil companies operating in the area and to address the multifarious problems faced by small and medium scale enterprises, the following recommendations are hereby advanced. Government at all levels in Nigeria should as a matter of priority endeavor to effectively implement and enforce existing laws to control the issue of environmental problems and this can be done by putting necessary environmental pollution enforcement structures in place to curb the spate of environmental pollution in the country. There should be regular monitoring assessment and evaluation to determine the level of damages done through gas flaring, oil spills and pollution on the environment as a whole. Multinational companies operating in the area should review their policies on community development, technological transfer, employment generation, corporate social responsibility and compensation to host communities if they earnestly desire to achieve their organizational goals and congenial working relationship.

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