Journal of Small Business and Entrepreneurship Development
June 2015, Vol. 3, No. 1, pp. 66-75
ISSN: 2333-6374 (Print), 2333-6382 (Online)

Published by American Research Institute for Policy Development
DOI: 10.15640/jsbed.v3n1a7
URL: http://dx.doi.org/10.15640/jsbed.v3n1a7

Oil and Gas Industry and the Growth of Small and Medium Enterprises in Nigeria: Local Content Policy Implications

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Abstract

The objective of this study, oil and gas industry and the growth of small and medium enterprises in Nigeria: local content policy implications is to evaluate the Impact of Local Content policy on the size of small and medium oil industries in Nigeria. The population of the study was all the 945 workers in Elf Petroleum (Total) and Mobil (ExxonMobil) oil companies operating in Nigeria, using simple random sampling technique by balloting. The sample size of the study was 567 workers in the two companies representing 60% of the population out of which 450 were validly satisfied. Data were analyzed using descriptive statistics using mean, mean set and standard deviations while The Z-test was used to analyze the hypotheses. The findings showed that the Local Content Policy influences greatly on the size of Small and Medium oil industries in Nigeria. It was also discovered that tedious pre-qualification and tender processes, inadequate financing and poaching of Staff by the bigger oil companies are constraints on the efficacy of Local Content Policy in Nigeria. The paper therefore recommends that there should be an enactment of the Local Content Act. It also recommended that closer supervision and monitoring of the policy guidelines by regulatory authorities should more active. Reduction of registration fees with regulatory authorities such as DPR and NAPIMS should be streamline. There should be support for SMEs operating in the industry in terms of single-digit financing for projects. Finally, government should facilitate the quality partnerships and alliances that car enhance higher levels of technology transfer and capacity building.

Keywords: Small Medium, Enterprises, Growth, Local Content

Introduction

The current drop in the price of crude oil in the international market is causing a devastating and unhealthy economic environment because the oil and gas industry has continued to serve as the main stay of the Nigerian economy since the discovery of crude oil in commercial quantity at Oloibiri Well-1 in 1956 by the joint venture of Shell Overseas Exploration Company and D‟Arcy Exploration Company (Shell D‟Arcy). Operations in the oil and gas industry are largely classified into the Upstream and Downstream sectors. The upstream sector involves operations in the area of exploration and production. The downstream sector comprises activities for refining of crude oil products, the distribution and marketing of these products to final consumers. In the upstream sector, Shell D‟Arcy had enjoyed a monopoly of concession in Nigeria until the period 1960 – 1965 when four additional foreign companies – Gulf Oil and Texaco (Chevron), Elf Petroleum (Total), Mobil (ExxonMobil) and Agip were allowed to join in the exploration and production operations. These multinational oil companies were the only players during the first decade of operation with concessions wholly owned by them and the Nigerian state merely content with the passive role of royalty and tax collections. Even the royalty and taxes generated were manipulated by the financial experts of these multinational oil companies.

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Nigeria became a member of the Organisation of Petroleum Exporting Countries (OPEC) in 1971, which encouraged members to take control of their petroleum industry by increased state participation through National Oil Companies (NOCs).

The same year, the Nigerian National Oil Company (NNOC) was incorporated; followed by the creation of the Ministry of Petroleum Resources (MPR) in 1975. Whereas the NOCs in some OPEC member countries took direct control of production operations, multinational oil companies in Nigeria were allowed to continue with such operations under joint operating agreements. The merger of NNOC and MPR in 1977 resulted in the Nigerian National Petroleum Corporation (NNPC) that is still in operational till today. Production has since continued with its high quality of „light" and „sweet" crude distinguishing Nigerian oil from most other OPEC countries, and comparable only to the North Sea oil (Khan, 2013). The Petroleum Act Cap 350 provides for three classes of grants for petroleum rights in Nigeria. These are Oil Exploration Licence (OEL), Oil Prospecting Licence (OPL), and Oil Mining Lease (OML). An OEL authorises the licensee to carry out aerial, surface, geological and geophysical surveys excluding drilling below 300 ft. The federal government introduced the Local Content Policy in the year 2000 in order to address the anomaly in the Nigerian oil and gas industry. However,this Local Content Policy has has performed below the expectations that led to inadequate accommodation of small and medium enterprises in the oil and gas industry. Consequently, a large portion of the accruable revenue was therefore repatriated abroad where most of the equipments are manufactured, thus providing employment opportunities for citizens of other countries. Momoh(2014) affirmed that oil and gas sector in Nigeria has been reported as spending $12 billion annually under the various forms of joint ventures and profit sharing contracts. The major reason for this low local content (LC) is because most of the service contracts are awarded to foreign firms because local indigenous firms lack the requisite skills, technical expertise, manpower and production capacity and capability to compete favourably. Oladele (2001) posited that low LC in the Nigerian OGI results from: Deficient capitalisation arising from the tendency of Nigerian entrepreneurs to operate as 'one man' businesses; Capital and structural deficiencies associated with poor training and low managerial ability; and Inability to attract funds due to lack of suitable collateral and positive corporate image. In developing countries, small and medium enterprises are always sinequanon to economic development.. SMEs have been widely identified as the back-bone, key drivers, engine-rooms and catalysts of the economic development of most countries (Ariyo. 2010; Day, 2012; Ihua, 2013). They constitute a major proportion of all the businesses in most countries and play salient roles in the area of wealth creation, provision of products and services, job creation, enhancement of better standards of living and contributing to the GDP of many countries (Okpara, 2009).

Aneke(2012) opined that the LC policy would promote higher participation of small to medium-sized firms to take advantage of these opportunities; and therefore enhance value addition to the nation. However, over the past few years there has continued to be mixed reports and speculations among industry regulators and other industry stakeholders, like the media, as to the efficacy Local Content policy in meeting up with its policy aims and objectives of enhancing local indigenous participation in the Nigerian Oil and Gas Industry. The initial target of NNPC was to achieve 45 percent by the end of 2007 and 70 percent by 2010. NNPC in 2008 reported that as a result of the policy, LC has increased to between 35 and 40 percent; however, the media refuted that report by saying Nigeria has only achieved about 20 percent LC. It is not sure how the two sides measured the policy and generated the results; nonetheless, a better was of appraising the policy would be to assess its impact on different industry stakeholders. In the light of the above, this paper therefore examines the implications of local content policy between oil and gas industry and the growth of small and medium enterprises in Nigeria. Specifically, the study is set to examine the relationship between Local Content Policy and the size of Small and Medium oil industries in Nigeria. The study is also set to ascertain the constraints to the efficacy of Local Content Policy in Nigeria. The following research questions were drawn to guide the study (1) what are the opinion of upstream and downstream workers on the Influences of Local Content Policy on the size of Small and Medium oil industries in Nigeria? (2) What are the constraints in the efficacy of Local Content Policy in Nigeria? Therefore, a test of two null hypotheses will guide the focus of this study; H01: There is no significance difference between the opinion of upstream and downstream workers on the Influences of Local Content Policy and the size of Small and Medium oil industries in Nigeria.Ho2: There is no significant difference between the upstream and downstream workers on the constraints in the efficacy of Local Content Policy in Nigeria

This study is made up of five sections - section one provides an introduction into the research problem; two presents review of the literature; three presents the research methodology; four presents data analyses and finally section five concludes and makes recommendations.

Review of Literature

The Oil and Gas Industry plays a very dominant role in the nation's economy with over 90 per cent of the nation's foreign exchange earnings coming from the sale of crude oil.Agusto(2009) aired that Nigeria is Africa's most populous and rich countries with a population of about 140 million.

It is made up of over 250 ethnic groups but is gripped by incessant political instability, bad governance, inadequate infrastructure and macro-economic mismanagement (Atakpu, 2013). Nigeria has about 36 billion barrels of crude oil reserve and 19.2 billion cubic metres of natural gas. It is estimated that the country has realized about 600 billion US dollars since 1956 - when it first discovered oil in commercial quantity in Oloibiri, present day Bayelsa state- from oil and gas (Atakpu, 2013). Besides the large crude oil and natural gas deposits there are also deposits of gold, tin, talc, gemstones, kaolin, bitumen, iron ore and barites that can be harnessed to earn foreign exchange for the country; oil and gas remains the country's major source of foreign exchange earnings and revenue base (Adebola et al, 2010).

Conceptual Issues on Local Content Policy

The issue of what constitutes local content in a workforce or supply chain is the subject of different interpretations. For instance, with regard to local procurement, in some usages the term is equated with locally owned, whereas at the other extreme. Gilbert (2012) described local content as any business that maintains a permanent operational office within a given area. Local content has been defined in terms of the value contributed to the national economy through purchase of national goods and services. "Local value-added" is the wealth local companies create in transforming materials and services purchased from other countries into revenue-generating output (Esho, 2013). It is calculated as the value of the firm's output minus the value of all foreign purchased inputs (including raw materials, energy, contractor services and rents). The International Petroleum Industry Environmental Conservation Association (IPIECA), the global oil and gas industry association for environmental and social issues, also refers to local content as the added value brought to a host nation (or region or locality) through workforce development (employment and training of local workforce), and investments in supplier development (developing and procuring supplies and services locally). Some jurisdictions differentiate between local content and local participation; local content is defined as the quantum/percentage of locally produced materials, personnel, goods and services rendered to the oil, gas and mining industries. It can be measured in monetary terms. Local participation is the level of equity ownership local citizens hold. These definitions have led to the emergence of numerous definitions for a local company.

Concept of Small and Medium Enterprises

It appears that the multiplicity of definitions of SMEs may not be unconnected with the fact that they are substantially heterogeneous. However, they have often been classified or defined in terms of quantitative and/or qualitative variables or characteristics. The quantitative indicators include the number of employees, sales, and capital employed, while examples of the qualitative indicators are legal status, ownership structure, factor intensity and technology (Lawal and Ijaiya, 2007; Onugu, 2005). With respect to the form, the legal status or the ownership structure, an SME may be constituted operationally as a sole proprietorship, a partnership, or a private or public liability company or even a co-operative. In respect of the kind of activities engaged in, SMEs may be constituted to provide services (like educational and health services), while others may be engaged in manufacturing or processing. It is important to note however that most working definitions of SMEs have been based on quantitative considerations such as the number of employees or annual sales turnover. Ayaggari,Beck and Demirgue-Kunt(2013) see an enterprise as a project, an undertaking, a company, a firm, or an individual that is engaged in one form of economic activity or the other, with the aim of producing some goods or services for sale to others. The definition of the size of the enterprise and their classification into micro, small, or medium has been generally based on criteria such as volume of sales turnover, number of workers in employment, or value of assets and investments. Ayaggari, Beck, and Demirgue-Kunt (2003) assert that the definition of small and medium scale enterprises varies according to context, author and country. Classification in USA, Britain and Canada is defined in terms of annual turnover and the number of paid employees whereas in Japan, it is conceptualised as type of industry, paid up capital and number of employees. In Nigeria, there have been different definitions of SMEs by different institutions.

These institutions include the Central Bank of Nigeria (CBN), the Small and Medium Industries Equity Investment Scheme (SMIEIS), the Nigerian Institute for Social and Economic Research (NISER), Federal Ministry of Industry (FMOI), the National Association for Small and Medium Enterprises (NASME), and the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN).

For instance, an SME has been defined by CBN as an outfit with a total capacity outlay (excluding land) of between N2 million and N5 million, while SMIEIS recognises an SME as any industry with a maximum asset base of N200 million, excluding land and working capital, and with the number of staff employed by the enterprises not less than 10 and not more than 300 (Lawal and Ijaiya, 2007). Oyelaran-Oyeyinka (2010) captures the poor performance of SMEs in Nigeria relative to their counterparts elsewhere by revealing that although about 96% of Nigerian businesses are SMEs compared to 53% in US and 65% in Europe, they contribute approximately 1% of GDP compared to 40% in Asian countries and 50% in both US and Europe. In essence, each economy needs to be able to define the micro-, small-, and medium–sized enterprises in terms of values or parameters that are likely to help enhance the growth and development of the sub-sector as a whole. Similarly, the regulatory environment must be such as would complement the growth and development portfolio of the sector. Government's various policies and guidelines that have formed the regulating environment under which SMEs in Nigeria operate would now be briefly examined.

Factors that Favours the Viability of Regulatory Environment for SMEs

The regulatory environment constitutes an important component required to ensure the growth and development of a viable and vibrant SME sub-sector of the economy. Inegbenebor(2012) posited that the operating environment like government policies, effects of globalisation, activities of financial institutions, local government policies, and SMEs‟ attitude to work and their inherent characteristics are factors responsible for the challenges that SMEs face in their operations (Onugu, 2011). Regulation is part and parcel of contemporary business life as it helps to shield the businesses, the employees, and the general public from unwarranted risks just as it protects the environment from pollution(Olorunshola,2010). Besides, Regulation is the medium through which government targets her policy aims and objectives.Nwosu,Nwachukwu,Ogaji and Probert(2010)opined that the regulatory environment includes all the stipulated conditions, rules and regulations, as well as the government policies and guidelines that dictate the setting up of SMEs, and that influence their mode of operations. In this context therefore, the regulatory environment includes the legal framework, financing regulations, tax administration, as well as ownership and management structure among others. SMEDAN was established in 2003 to promote the development of the micro, small, and medium scale enterprises (MSME) sector of the Nigerian economy through facilitation of access to all resources required for their development. The need arose from realisation that poverty is a social malaise that threatens global prosperity in general and national economic growth and development in particular. Oluboba(2013)affirmed that a well developed MSME sector has proven to be one of the most veritable channels to combat poverty. The overall result of government‟s efforts at defining an effective operating environment for SMEs indicates that these policies and regulations do not seem to have achieved the desired results. This is evident from the observation that Nigerian SMEs unlike their counterparts in many other parts of the world are yet to propel the economy as required. The financial and economic environment appears to be quite crucial to the viability and sustainability of SMEs, since major challenges that impact on the performance of the sub-sector derive from this environment. It was in the bid to solve the funding problems confronting small and medium scale entrepreneurs that the Small and Medium Industries Equity Investment Scheme (SMIEIS) was established (Oyelaran-Oyeyinka, 2012).

The SMIEIS is about the latest of the schemes designed to tackle the problem of financing SMEs in Nigeria, requiring that all banks reserve 10 per cent of their pre-tax profit for equity investment in the industry. However, Inegbenebor (2006) found that the utilization rate of the accumulated fund was only 3 per cent, while the level of awareness of the scheme was only 39 per cent, with a high managerial capacity in the firms but weak capacity to utilize the fund. All the massive attention and support given to SMEs relate to the widely acclaimed fact that SMEs are job and wealth creators. When the SMIEIS was established in 2003, it was expected to help revamp the SMEs as engines of growth in the economy and veritable tools for the development of indigenous technology, rapid industrialization, employment generation for our teeming youths, and as the pivot for sustainable economic development in Nigeria (Sanusi, 2010).

In 2012, the Federal Government approved the sum of N200 billion for operation of the Small and Medium Enterprises Credit Guarantee Scheme (SMECGS) fund. To be operational, the eligibility conditions for applying institutions were to be formulated by the Central Bank of Nigeria (CBN) together with relevant agencies of government (Uko, 2012). While the SMECGS and the Microfinance Development Fund (MDF), which is required to support micro, small and medium enterprises were established simultaneously, interested SMEs may only benefit from these funds if they are viable and satisfy the expected eligibility conditions. Many SMEs in Nigeria may not be aware of the existence of SMEDAN, the various sources of funds for SME development, the incentives available for them, the legal and regulatory requirements, how to source funds from banks or even the basic procedure for promoting an enterprise(Okpara,2009).

Majority of SME promoters are averse to going into partnership schemes and also to equity participation by banks under the SMIEIS programme. This perhaps explains some of the attitudinal challenges that they need to address in order to over some of their problems. Typically, smaller enterprises face higher transactions costs than larger enterprises in obtaining credit (Olorunshola, 2010). Poor management and accounting practices have hampered the ability of smaller enterprises to raise finance. Information asymmetries associated with lending to small-scale borrowers have restricted the flow of finance to smaller enterprises. In spite of these claims however, some studies show a large number of small enterprises fail because of non-financial reasons.

Implementation of the Enterprise Promotion Guidelines

Direct implementation of the NOGIC Act commenced with the establishment of the Nigerian Content Development and Monitoring Board (NCDMB) in 2010 for enforcement of the law. Kupolukun(2013)concluded that failure to comply with Nigerian Content requirements is now a fatal flaw at any stage in the tendering process for contracts in the oil and gas industry .Sections 3(1), 3(2), 12, and 13 of the Act stipulate that Nigerian companies be given first consideration in the award of contracts, and the use of locally manufactured goods where companies demonstrate competences in ownership of equipment and capacity of personnel, and such goods meet the specifications of the industry (NOGIC Act, 2010). Section 16 of the Act gives a 10% head start over the lowest bidder for a contract by allowing that where a Nigerian indigenous company has capacity to execute such job, the company shall not be disqualified exclusively on the basis that it is not the lowest financial bidder, providing the value does not exceed the lowest bid price by 10 percent. Additionally, Section 14 allows bids with 5% higher Nigerian content to be given consideration over other bids that are within 1% range of each other. Section 104 of the Act establishes the Nigerian Content Development Fund (NCDF) for the purposes of financing the implementation of Nigerian Content development, and stipulates that 1% of every contract awarded to any company for all projects or transaction in the upstream sector shall be deducted at source and paid into this fund. According to Ebiri(2012),the fund is to be managed and employed by the NCDMB for projects, programmes, and activities directed at increasing Nigerian Content through development and utilisation of local capacity and capabilities in the industry. The target of this fund is to enhance capacity building, and it has been suggested that SMEs should have access to soft loans from this fund in order to boost capital base. In order to clarify the NOGIC Act, NCDMB released several guidelines and regulations which set out the procedures for its effective management. In respect of the NCDF under Section 104 for instance, it has been clarified that where the operator, contractor, subcontractor, alliance partner or any other entity involved in any project awarding a contract has deducted and paid 1% of the total milestone payment, other subcontractors or suppliers in respect of any goods or services which form part of the same contract will no longer be required to make deductions. This is to avoid double taxation, and it is particularly beneficial to SMEs who may benefit from accessing the fund in form of loans, while being shielded from paying back another 1% of the contract sum, since the projects to be executed by SMEs would mostly be subcontracts on which 1% was already deducted in the main contract.

Benefits to SMEs in the Oil and Gas Industry

Though oil and gas production is mainly in rural communities in Nigeria, indigenes are increasingly forced migrating to cities in order to be able to enjoy the benefits of these resources due to lack of amenities in these rural areas, while multinational companies engage foreigners in actual execution of the works on site. Momoh (2014) blamed the lack of local content for the high unemployment and linked this to the emergence of militancy in the Niger Delta region. The NOGIC Act has now provided the legal framework for stimulating investment in the Nigerian oil industry. It strives to build local capacity by defining minimum Nigerian Content value for particular goods and services, and presents various opportunities within the Schedule to the Act for SMEs participation in both technical and non technical categories.

Most entrepreneurs are faced with the challenges of accessing opportunities within the industry due to lack of good knowledge of available resources in the sector. In the Schedule to the Act, 287 activities and services applicable in the industry are listed under 17 sectors, and the minimum level of Nigerian content required for each activity and service is stipulated. The sectors range from Engineering Design, Fabrication and Construction, Materials and Procurement, and Well Drilling, to Research and Development, Exploration, Transportation, and Health, Safety and Environment. Other listed sectors include Information and Communication, Finance and Insurance, Installation and Commissioning, Inspection and Testing, Project Management, Surveying, Modification and Maintenance, and Shipping (NOGIC Act, 2010).

Activities and operations in some of these sectors are highly capital intensive, with sophisticated equipment beyond the reach of the average small and medium scale enterprise. The NOGIC Act therefore recognises three categories of Nigerian companies as follows:

i. **Nigerian Independent Operator** (an oil company having at least 51% Nigerian equity participation, and the capacity to manage oil blocks, oil field licences, oil lifting licences, and such other oil and gas prospecting, exploration, and production operations).
ii. **Nigerian Company** (a company formed and registered in Nigeria in accordance with the provisions of Companies and Allied Matters Act, with not less than 51% equity shares by Nigerians, capable of executing construction and support contracts for Operators).
iii. **Nigerian Indigenous Service Company** (a company registered under the laws of Nigeria and is wholly owned or has at least 51% of its equity and ownership structure held by Nigerians). This category caters for the SMEs. Some of the large Nigerian companies that have been able to take advantage of the Nigerian Content incentives include Lonestar (drilling), SCC Mill (manufacturing of line pipes), Nigerdock (construction of SBM Calm Buoys), Starzs (building of offshore vessels), Nestoil, Baywood, and Oilserve (pipeline construction), among others.

Nevertheless, there are several sectors and activities that are specified for requirement of high level of Nigerian Content (NC) while involving little capital outlay. The most attractive sectors for SMEs include Materials and Procurement where supply of steel plates, flat sheets, steel sections, and steel pipes have 100% NC requirement; Transportation sector with 100% NC requirement for disposal, distribution and waste transport services, and truck package and product transportation services. Similarly under the Health, Safety and Environment sector, affordable services exclusively reserved for Nigerian companies include site clean-up, industrial cleaning, catering, and laundry, while security services, pollution control, and supply of safety materials have very high NC requirement of at least 90%. Public Address system services attracts 95% NC under the Information and Communication sector, while Auditing services, Life Insurance services, Insurance Broking services, Security Broking services, and Fund Management services are exclusively reserved with 100% NC under the Finance and Insurance sector. The Schedule to the Act further stipulates that in the Installation and Commissioning sector, Pipe Cutting and Bending services, Trenching and Excavation services, and rental of Cranes and Crane barges are under exclusive reserve. Similarly, Geophysical and Hydrographic Site Survey service is exclusively reserved for Nigerian companies under the Survey sector. Some of the areas of low to medium technical competency level with at least 90% minimum Nigerian Content requirement into which SMEs can venture are presented in the Table below, together with an evaluation of their respective competency levels

Research Methodology

This paper survey research designs because it used questionnaires, personal interviews, and document review to gather data. The population of the study is all 945 workers in Elf Petroleum (Total) and Mobil (ExxonMobil) oil companies operating in Nigeria, using simple random sampling technique by balloting. The selection gave a sample size of 567 workers in the two companies used for the study, representing 60% of the population. The workers were used as respondents for the study. Data for the research was gathered from workers in Elf Petroleum (Total) and Mobil (ExxonMobil) oil companies operating in Nigeria regardless of the time constraints they had. The research is a problem study designed to explore the oil and gas industry and the growth of small and medium enterprises in Nigeria: local content policy implications. To generate an initial list of questionnaires designed to capture upstream and downstream workers and how they manifest themselves, literature was reviewed extensively.

The questionnaire consisted of two parts that is what are the opinion of upstream and downstream workers on the Influences of Local Content Policy on the size of Small and Medium oil industries in Nigeria? and What are the constraints in the efficacy of Local Content Policy in Nigeria**?** Ten questionnaires with a cover letter explaining the purpose of the study attached were used for the study. Ten personal interviews were conducted to afford greater exploration and time to probe and delve into the major emerging issues (Fowler, 1988; Easter by-Smith et al., 1995; Saunders et al., 2000). Ruyter and Scholl (1998) have indicated that, owing to the wealth of information that may be obtained from interviews, it is sufficient to hold only a small number. The researchers administered the instrument personally descriptive statistics using mean, mean set and standard deviations were used to analyze the data from the research questions. The Z-test was used to analyze the hypotheses.

4. Data Analysis

Research Question 1: What are the opinion of upstream and downstream workers on the Influences of Local Content Policy on the size of Small and Medium oil industries in Nigeria?

Table 1: Mean Scores and Standard Deviations on the Opinion of Upstream and Downstream Workers on the Influences of Local Content Policy on the Size of Small and Medium oil industries in Nigeria

SN	Opinion of upstream and downstream workers	**Upstream workers**		**Downstream workers**		Mean SET	Criterion
		MEAN	S.D	MEAN	S.D		
1	More Contract Awards to ingenious SMEs	2.98	1.69	3.15	1.74	3.07	2.50
2	Job Creation	2.88	1.69	3.05	1.74	2.97	2.50
3	Reduced more than half of the country's unemployment problems	1.94	1.38	2.13	1.39	2.04	2.50
4	It also stimulated knowledge and technology transfers as well as capacity building.	2.00	1.40	2.18	1.44	2.09	2.50
5	Increased opportunities for SMEs	3.08	1.75	2.96	1.74	3.02	2.50
		12.88	7.79	13.47	8.05	13.19	

As clearly indicated in the mean scores, the up and downstream workers are of the view that More Contract Awards to ingenious SMEs, Job Creation and Increased opportunities for SMEs are Influences of Local Content Policy on the size of Small and Medium oil industries in Nigeria. The table also shows that more contract awards to ingenious SMEs has the highest mean response of 3.07 closely followed by increased opportunities for SMEs3.02 and Job Creation 2.97. It also stimulated knowledge and technology transfers as well as capacity building 2.09 and then it also reduced more than half of the country's unemployment problems 2.04. Variable 3 and 4 showed low mean scores of 2.09 and 2.09 respectively. That is a strong indication that such influences are rarely perceived. As shown in table 1, More Contract Awards to ingenious SMEs were high in downstream workers compared to upstream workers. However, opinions on the influences such as More Contract Awards to ingenious SMEs and Job Creation are adjudged higher in downstream workers with higher mean scores compared to male which gave lower average value in each variable except in items 5 in each of the variable investigated.

Research Question Two

What are the constraints in the efficacy of Local Content Policy in Nigeria?

Table 11: Mean scores and Standard Deviations on the Opinion of Upstream and Downstream Workers on the Constraints in the Efficacy of Local Content Policy in Nigeria

SN	Constraints	Upstream workers		Downstream workers		Mean SET	Criterio n
		MEAN	S.D	MEAN	S.D		
1	Tedious pre-qualification and tender processes	3.33	1.82	2.98	1.69	3.16	2.50
2	Inadequate financing	2.84	1.68	2.98	1.72	2.91	2.50
3	Staff are usually poached by the bigger oil Companies	2.98	1.69	3.09	1.74	3.04	2.50
4	the lack of an Act of Parliament is still a major challenge inhibiting the efficacy of the LC policy	1.38	1.17	2.44	1.55	1.91	2.50
5	Ineffective supervision. Cumbersome prequalification	2.12	1.44	2.46	1.59	2.34	2.50
		12.65	7.80	13.95	8.29		

Table II shows that both upstream and downstream workers are of the same view that tedious pre-qualification and tender processes, inadequate financing and Staff are usually poached by the bigger oil companies are constraints on the efficacy of Local Content Policy in Nigeria. The table also indicates that tedious pre-qualification and tender processes has the highest mean response of 3.16, followed by Staff are usually poached by the bigger oil Companies of 3.04 and the lack of an Act of Parliament is still a major challenge inhibiting the efficacy of the LC policy 2.91.

On variable 4 and 5 upstream workers s showed low mean scores of 1.38 and 2.12 while downstream workers records mean scores of 2.44 and 2.46 respectively. This indicates that such constraints like tedious pre-qualification and tender processes, inadequate financing and Staff are usually poached by the bigger oil Companies.

Test of Hypotheses

Hypotheses I

There is no significance difference between the opinion of upstream and downstream workers on the Influences of Local Content Policy and the size of Small and Medium oil industries in Nigeria. Mean standard deviation and z-test of difference between upstream and downstream workers of their opinion on the Influences of Local Content Policy and the size of Small and Medium oil industries in Nigeria.

SN	CATEGORIES	CASES	MEAN	SD	COMPUTED Z	CRETERION Z
A	Upstream workers	235	2.58	1.58	-0.07	-1.96
B	Downstream workers	215	2.69	1.61		

The computed Z value of -0.07 is greater than the critical Z value of - 1.96. The null hypothesis of no significant difference between upstream and downstream workers in their opinion on the Influences of Local Content Policy on the size of Small and Medium oil industries in Nigeria was rejected.

Hypotheses Two

There is no significant difference between the upstream and downstream workers on the constraints in the efficacy of Local Content Policy in Nigeria. Mean, standard deviation, and Z-test of difference between upstream and downstream workers on the constraints in the efficacy of Local Content Policy in Nigeria.

SN	CATEGORIES	**CASES**	**MEAN**	**SD**	**COMPUTED Z**	**CRETERION Z**
A	Upstream workers	235	2.53	1.56	-0.08	-1.96
B	Downstream workers	215	2.79	1.66		

The computed Z value of -0.08 is greater than the critical Z value of - 1.96. The null hypothesis of no significant difference between upstream and downstream workers in their opinion on the constraints in the efficacy of Local Content Policy in Nigeria was rejected.

Discussion of Findings

The study has shown that both upstream and downstream workers were of the view that more contract awards to ingenious SMEs, job creation and increased opportunities for SMEs are the influence of Local Content Policy on the size of Small and Medium oil industries in Nigeria. More Contract Awards to ingenious SMEs recorded a high mean score of 3.01. It was found that the LC policy has led to increased opportunities for SMEs in the industry and this resulted into more contract awards in both cases; however, this cannot yet be considered as a higher SMEs participation because there are still several bottle-necks to the awards of such contracts such as tedious pre-qualification and tender processes. Both workers believe more can still be done, because there is still a dominance of foreign owned firms handling projects which could ordinarily be handled by indigenous firms. There are also other challenges such as inadequate financing. From the interviews conducted, the upstream and downstream workers opined that if the opportunities in the industry are well harnessed by SMEs, it could help resolve more than half the country's unemployment problems. Another problem identified is that of 'staff poaching' on the part of multinationals. Analysis showed that the authors found that the computed Z value of -0.07 is greater than the critical Z value of - 1.96.

Therefore, the null hypothesis of no significant difference between upstream and downstream workers in their opinion on the Influences of Local Content Policy on the size of Small and Medium oil industries in Nigeria was rejected. In hypothesis two, the computed Z value of -0.08 is greater than the critical Z value of - 1.96; also the null hypothesis of no significant difference between upstream and downstream workers in their opinion on the constraints in the efficacy of Local Content Policy in Nigeria was rejected.

Conclusion and Recommendations

We conclude that the Local Content Policy Influences the size of Small and Medium oil industries in Nigeria. Also in the conclusion is the fact that tedious pre-qualification and tender processes, inadequate financing and Staff are usually poached by the bigger oil companies are constraints on the efficacy of Local Content Policy in Nigeria. The policy has made only very little positive impact in enhancing higher SMEs participation in the industry.
The paper therefore recommends that:

i. There is a need for the enactment of the Local Content Act.
ii. Closer supervision and monitoring of the policy guidelines by regulatory authorities.
iii. There should be Lessening of the pre-qualification, tender and bidding requirements.
iv. There is a need for the reduction of registration fees with regulatory authorities such as DPR and NAPIMS.
v. Support for SMEs operating in the industry in terms of single-digit financing for projects
vi. The facilitation of quality partnerships and alliances that car enhance higher levels of technology transfer and capacity building.

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