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THE NIGERIAN OIL RESOURCE AND BAYELSA STATE ECONOMIC DEPENDENCE, 1999-2025

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Abstract:
Despite being one of the major oil-rich states in the Niger Delta region, Bayelsa State continues to experience limited economic diversification, persistent underdevelopment, and excess reliance on Nigeria's crude oil revenues. Thus, the study aims to examine the Nigerian Oil Resource and Bayelsa State Economic Dependence 1999-2025, taking into consideration the non-oil sectors such as agriculture, fishing, blue economy and manufacturing to ascertain the extent of diversification and constraints imposed by oil resource dependence in the state. The Resource Curse Theory which explains how oil rich economies experience weak institutional development and underdevelopment in non-oil resource sectors guides this study as the theoretical framework. The study adopts a qualitative research method using secondary sources of data, including government reports, academic journals, textbooks and publications from NBS, World Bank, IMF, UNDP, UNEP etc. The findings reveal that heavy reliance on oil resource has a negative impact on economic diversification in Bayelsa through several channels, including neglect of agriculture and manufacturing, environmental degradation, weak institutional structures, poor governmental policies and revenue fluctuations. These factors further create a mono-economic structure that limits sustainable economic development, diversification and increases susceptibility to external influence. The study concludes that despite the enormous oil resource in Nigeria, sustainable economic development and diversification remains constrained in Bayelsa State by increased dependence on oil resource. It recommends that the adoption of comprehensive diversification strategies, including investment in agriculture and manufacturing, human capital development, promotion of Small and Medium Enterprises (SMEs), ensuring environmental sustainability among others are essential to achieving economic diversification and development in Bayelsa State, Nigeria.

Keywords: Oil resource, oil dependence, diversification, resource curse, Bayelsa State

INTRODUCTION

States that are endowed with natural resources especially crude oil are seen as drivers of economic growth and development. However, evidence from many resource-rich states in Africa and developing countries suggests that an abundance of natural resources, particularly oil, seems to hinder rather than promote sustainable economic development and diversification. This situation conforms with the Resource Curse Theory, which is of the view that states or nations rich in natural resources such as crude oil often experience slow economic growth, weak institutions, and poor development outcomes compared to less natural resource rich economies (Auty, 1993; Sachs & Warner, 1995).

Since the commercial discovery of oil in Oloibiri in 1956, Nigeria's economic structure has gradually become centred on crude oil. Over time, earnings from crude oil have come to dominate public finance and export activities, accounting for the bulk of government income and foreign exchange flows. In other words, oil accounts for over 70% of government revenue and a major share of export earnings. This concentration has reduced attention to other sectors such as manufacturing and agriculture, leaving the economy highly exposed to fluctuation in international oil markets and economic pressures (National Bureau of Statistics, 2021).

Nigeria which is adjudged as the largest economy in Africa is highly endowed with abundant natural resources including renewable and non-renewable potential energy resources. As a result, the economy is heavily dependent on oil which, according to the International Monetary Fund (IMF, 2012), accounts for over 95 percent of export earnings, 25 percent of GDP and about 90 percent of government revenue. The country is the largest producer and exporter of oil in Africa. A critical issue with respect to Nigeria and some other oil rich economies is the existence of poverty in the midst of

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plenty. The poverty rate in Nigeria is given to be 62.6 percent despite huge oil revenue inflow into the country over 50 years (National Human Development Report, 2016). This leads to the issue of resource curse argument that natural resource abundance may be a curse rather than a blessing by undermining growth (Mahdavy, 1970; Ross, 2001, 2013). While natural resource-abundance has been growth enhancing in countries like Canada, Botswana, Australia, Chile, Norway and United States, it has been the other way round in Nigeria. Economic dependence on oil, particularly in Nigeria, represents a high reliance on petroleum for government revenue (70%), export earnings (90%), and economic stability. This creates extreme volatility, as economic health fluctuates with global oil prices, often causing "Dutch disease" where a strong oil sector stunts other non-oil industry (Olayungbo,2019).

Bayelsa State which is located in the Niger Delta region, is one of the main oil-producing states in Nigeria and is highly dependent on Nigerian oil revenue. Despite its vast oil wealth, the state remains underdeveloped, with high levels of poverty, unemployment, and inadequate infrastructure. This situation reflects the challenges of oil resource dependence, where oil wealth has not translated into improved living standards for the majority of the citizens (Watts, 2008; Ikelegbe, 2013). The dominance of the oil sector has also led to the marginalization of traditional economic activities such as fishing and agriculture, which was the mainstay of the local economy in Bayelsa prior oil discovery. This could be attributed to environmental degradation and oil spills due to oil exploration activities in region by oil multi-national companies.

In addition, oil exploration and production activities in Bayelsa State have resulted in serious environmental degradation, including oil spills, gas flaring, and land pollution all of which have an adverse effect on the traditional livelihood of Bayelsans. In other words, environmental challenges have adversely affected agricultural productivity and fishing activities in the state, thereby reducing alternative sources of livelihood and further reinforcing the dependence on oil resources (UNDP, 2006; UNEP, 2011). This goes on to create a cycle in which environmental degradation further constrains diversification and development.

Diversifying an economy has gained prominence as a strategy to achieve sustainable development in oil-rich developing economies. It involves expanding the range of economic activities and reducing constant reliance on a single resource or sector particularly the oil sector (Imbs &Wacziarg, 2003). It promotes economic resilience, job creation opportunities, and reduces vulnerability to external controls. In the context of the Nigerian State, diversification has been emphasized in various government policy frameworks as a means of achieving long-term economic stability (Federal Government of Nigeria, 2017). However, several efforts made to diversify the Bayelsa economy have proven futile. Factors such as consistent reliance on oil revenue, weak institutional frameworks, corruption, inadequate infrastructure, and poor implementation of government policies continue to impede the growth of non-oil sectors in the state (North, 1990; Mehlum, Moene, & Torvik, 2006). Also, the Dutch Disease effect where oil booms lead to the appreciation of the real exchange rate and reduced competitiveness of other non-oil sectors further undermines diversification efforts (Corden & Neary, 1982).

Statement of the Problem

Since the creation of Bayelsa State in October 1, 1996, several administrations have come and gone with various policy frameworks that are intended to drive development. However, the situation in the state reveals the opposite. The burgeoning question therefore remains whether or not the state's leadership has over the years driven development through conscious and goal-oriented policies of government despite being blessed with massive oil wealth (Orusaibogha, 2023). Bayelsa State is consistently one of the top earning states from the Federation Account Allocation Committee (FAAC) due to oil derivation, receiving hundreds of billions of Naira annually. Based on 2023 data from National Bureau of Statistics, the state receives a total of N268.34 billion, averaging over N22.36 billion monthly, with 92.17% of its revenue coming from federal allocations, making it susceptible to economic fluctuations (NBS, 2023).

After decades of crude oil production and substantial revenue generation in Nigeria, Bayelsa State is still characterized by limited economic diversification and persistent underdevelopment. Oil resource dependence continues to dominate the economic structure of the state, with government revenue and economic activities largely tied to the petroleum sector (Karl, 1997). While oil wealth was expected to stimulate broad based development, evidence suggests that it has instead contributed to structural imbalances and constrained the growth of non-oil sectors such as agriculture, fisheries, manufacturing and small-scale industries (World Bank, 2022). Some of the youths in Bayelsa State rely on Political gladiators to survive due to low level of economic diversification that would have created job opportunities in non-oil sectors such as agriculture, manufacturing including the blue economy in the state. Unfortunately, since 1999-date after its creation in 1996, Bayelsa State seems to continually depend on the Nigerian oil revenue without meaning efforts to diversify for sustainable development purposes.

In Nigeria, and particularly in the oil producing Niger Delta region, fluctuations in global oil prices have repeatedly exposed how vulnerable Bayelsa State can be as a highly oil-resource-dependent economy. Periods of oil price decrease have led to reduced government revenues, fiscal deficits, and economic instability, highlighting the risks associated with dependence on a single oil resource (International Monetary Fund, 2023). Bayelsa State, being heavily reliant on federal

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government oil allocations, is susceptible to external control which in turn largely undermines sustainable economic planning and development in the state.

In addition, the oil sector's dominance has contributed to the neglect of alternative productive sectors especially agriculture and manufacturing. Traditional livelihoods such as fishing and farming, which once sustained local communities in Bayelsa State, have been severely affected by environmental degradation caused by oil exploration activities by big oil Multi-National Companies (MNCs) like Shell, including oil spills and gas flaring (Takeme et al., 2025). This has reduced the effectiveness of non-oil economic activities and reinforced a cycle of too much reliance on oil revenues. Institutional challenges also compound the problem. Weak governance structures, corruption, and ineffective public policy implementations have also limited the ability of the state to channel its oil revenues into productive investments ventures that could promote economic diversification (Njoku, et al. 2025). Consequently, efforts aimed at enhancing economic diversification have yielded poor results, and as such the state continues to experience a high level of unemployment, poverty, as well as a low level of economic and industrial development.

Although several studies have examined the resource curse and Nigeria's oil dependence at the national level, there is a relative scarcity of empirical research focusing specifically on sub-national contexts such as Bayelsa State. More importantly, existing studies have not sufficiently addressed how the interplay of oil dependence, environmental degradation, and institutional weaknesses uniquely constrains economic diversification in the state. Considering the aforementioned challenges, it becomes necessary to investigate the Nigerian oil resource and Bayelsa State economic dependence from 1999-2025. Such an inquiry is vital for identifying the structural and institutional barriers to diversification and formulating governmental policies that can help promote inclusive growth, reduce economic vulnerability, enhance economic diversification and sustainable development. Thus, this study is guided by the following research questions:

1. What is the nature of economic dependence in Bayelsa State?
2. How has oil resource dependence affected the level of economic diversification in Bayelsa State?
3. To what extent has oil revenue dependence affected the development of non-oil sectors such as agriculture, fisheries, and small-scale industries in Bayelsa State?
4. What strategies can be employed to improve economic diversification in Bayelsa State amidst oil dependence?

Objectives of the Study

The major objective of this study is to analyse the Nigerian oil resource and Bayelsa State economic dependence between 1999 and 2025. Specifically, the study aims to achieve the following:

1. To examine the nature of economic dependence in Bayelsa State.
2. To ascertain the effects of oil resource dependence on economic diversification in Bayelsa State.
3. To evaluate the extent to which oil revenue has affected the development of non-oil sectors such as agriculture, fisheries, and small-scale industries in Bayelsa State.
4. To identify possible strategies that will enhance diversification in Bayelsa State amidst heavy oil reliance.

Clarification of Concepts

Oil Resource

The concept of oil resource refers to the naturally occurring deposits of crude oil (petroleum) found beneath the earth's surface, which can be extracted, explored and processed for energy and industrial use. It is a fossil fuel formed over millions of years from organic matter subjected to heat and pressure. Due to its economic value, crude oil is considered as one of the most important natural resources world-wide (Sachs & Warner, 2001; Van Der Ploeg, 2011).

Economically, oil is classified as a strategic and revenue-generating asset, as it provides substantial income through exports, taxes, and rents for states and governments. In most developing countries including Nigeria, oil constitutes a major source of government revenue and foreign exchange earnings (World Bank, 2022).

It should be noted that, this resource is non-renewable and exhaustible, which means its finite and require efficient management to ensure long-term benefits. Mismanagement of oil wealth can lead to economic instability and oil reliance, particularly where alternative economic sectors are underdeveloped (Auty, 1993). Also, oil extraction is often associated with environmental challenges such as environmental damage and oil spills which affects local livelihoods and ecosystems negatively, especially in oil producing regions like Bayelsa State of Nigeria (UNEP, 2022; UNDP, 2021).

Economic Dependence

Economic dependence is a situation where a state or region, relies heavily on external factorssuch as another nation's trade, revenue, investment, or aidfor its economic survival and growth. It often results in limited economic autonomy, where the dependent party is vulnerable to external economic shifts, power imbalances, and hindered development. In this case, the Bayelsa state depends heavily on the Nigerian oil revenue to survive.

Oil Dependence

This refers to a condition in which a country or region relies heavily on oil revenues as its primary source of income, government revenue, and foreign exchange. It often results in a mono-economic structure, where other non-oil sectors

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such as agriculture, fishing, manufacturing, and services are neglected or underdeveloped (Sachs & Warner, 2001; Van Der Ploeg, 2011). In Nigeria, and particularly in Bayelsa State, oil dependence is evident in the heavy reliance on federally distributed oil revenues. This dependence reduced the urge for internally generated revenue and limits investment in alternative sectors of the economy. Scholars further argue that, oil dependence is mostly linked to several structural challenges including, revenue volatility due to fluctuations in global oil prices, weak institutional development, rent-seeking behaviour and corruption, neglect of non-oil sectors etc which are all central to the resource curse phenomenon (Auty, 1993; Mehlum, Moene, & Torvik, 2006).

Economic Diversification

This refers to the process of expanding a state's range of productive activities across different sectors to reduce reliance on one single source of income. It involves developing sectors such as agriculture, production, manufacturing, services, and technology to create a more balanced and resilient economic system (World Bank, 2022). Thus, diversification is essential for reducing vulnerability to foreign influence, promoting sustainable economic growth, creating employment opportunities, enhancing economic stability (UNDP, 2021). Despite the importance of diversification, it remains a major challenge in oil dependent economies due to several structural and institutional hurdles. With diversification, economies develop faster as compared to depending mainly on one source of oil income.

Relationship Between Oil Dependence and Diversification

A strong reliance on oil revenue tends to constrain the expansion of other economic viable sectors, thereby creating an imbalance and possible neglect of other sectors in the economy. For instance, when government receives substantial or massive income from oil, there is often less urge or desire to invest in agriculture, manufacturing and services. In addition, fluctuations in oil prices introduce uncertainties, making it difficult to plan and sustain diversification efforts (IMF, 2023). The dominance of oil sector can also redirect labour and capital away from other productive sectors, weakening their competitiveness. In oil rich regions like Bayelsa, environmental degradation linked to oil exploration further compounds the problem by disrupting traditional economic activities and source of livelihoods such as farming and fishing (UNEP, 2022). Also, institutional weakness further highlights the relationship between oil dependence and diversification. For instance, poor governance, corruption, and ineffective policy implementation which are outcomes of institutional weakness constrains the proper utilization of oil revenues for developmental purposes in oil-rich states (Transparency International, 2023).

Theoretical Framework

The study adopts the Resource Curse Theory to provide the theoretical framework, in order to evaluate the Nigerian oil resource and Bayelsa State Economic dependence between 1999 and 2025. The Resource Curse Theory provides a strong theoretical lens to explain the paradox of abundant natural oil resources coexisting with poor economic outcomes. It was first articulated by Auty (1993) and further developed by Sachs and Warner (1995). The theory argues that economies that depends on natural resources heavily especially crude oil tend to experience slow economic growth, weak institutions, and limited economic diversification. Recent studies have continued to validate this argument, particularly in developing countries and oil resource dependent regions (Van Der Ploeg, 2011; Badeeb, Lean, & Clark, 2017; World Bank, 2022).

In the context of Bayelsa State, the relevance of the Resource Curse Theory is evident in several ways. Despite being one of Nigeria's major oil-producing states, Bayelsa State has not achieved commensurate levels of economic development or diversification. Oil revenues dominate the state's financial structure, creating a mono-economy (oil dependence economy) that discourages investment in alternative sectors, especially the agricultural and manufacturing sectors. According to the Resource Curse framework, such over dependence on oil rents reduces incentives for governments to develop other productive sectors like agriculture, manufacturing, SMEs and services (Sachs & Warner, 2001; IMF, 2023). Mechanisms through which the resource curse theory manifests are the rent-seeking and institutional weakness effect. In Bayelsa State, access to oil revenues primarily through federal allocations can reduce accountability and weaken governance structures. This aligns with the findings that resource-rich regions often experience corruption and poor policy implementation, which undermine economic diversification efforts (Mehlum, et al. 2006; Transparency International, 2023). Weak institutions fail to effectively channel oil wealth into infrastructure, human capital development, and investment in non-oil sectors.

Another essential dimension is the Dutch Disease phenomenon, which is linked to the Resource Curse Theory closely. Oil booms tend to shift resources (labour and capital) toward the oil sector while neglecting traditional sectors. In Bayelsa State, this has contributed to the low growth of agriculture and fisheries, which were historically the backbone of the local economy in the state. In addition, environmental degradation from oil exploration and extraction such as oil spills and gas flaring has further reduced the productivity of these sectors, intensifies dependence on oil resource (UNDP, 2021; UNEP, 2022). The theory of resource curse also explains the problem of volatility associated with oil dependence. Fluctuations in global oil prices directly affect government revenue and economic stability in Bayelsa State, making long-

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term planning for diversification cumbersome (IMF, 2023). This instability deters investment in non-oil sectors, which require consistent government policy support and funding to develop.

Recent relevant literature emphasizes that without strong institutions and deliberate policy interventions, oil-rich regions in Nigeria like Bayelsa are likely to remain trapped in a cycle of economic dependence and underdevelopment (Badeeb et al., 2017; World Bank, 2022). Thus, the Resource Curse Theory not only explains the current state of limited diversification of the economy but also highlights the structural and institutional barriers that must be addressed to achieve sustainable development and diversification in Bayelsa State.

METHODOLOGY

The study adopts a qualitative research method, to examine the Nigerian oil resource and Bayelsa State economic dependence from 1999-2025. A qualitative design is appropriate because the study seeks to gain an in-depth understanding of the structural, institutional, and environmental factors that shape economic growth outcomes in an oil-dependent context. The strategy of using Bayelsa as a case study allows for a detailed and context specific analysis of Bayelsa State as a representative of crude oilproducing region in the Niger Delta. The qualitative research method thereby helps to facilitate the investigation of complex relationships such as governance challenges, environmental degradation, and policy constraints in the state that cannot be fully captured through quantitative methods alone (Yin, 2018).

Thus, the study relied on **secondary data**. Secondary data is appropriate for qualitative analysis and provide a rich source of information on the subject matter. This involves the systematic review and interpretation of existing documents to identify patterns, themes and insights related to oil resource dependence and economic diversification in Bayelsa State.

Secondary data obtained for the purpose of this study includes, government publications such as National Bureau of Statistics (NBS) reports; Reports of International Organizations such as World Bank reports, International Monetary Fund (IMF) reports, United Nations Development Programme (UNDP) reports, United Nations Environment Programme (UNEP) reports of the Niger Delta; Academic Literature such asPeer-reviewed journal articles on resource dependence, economic diversification, and the resource curse, Books and scholarly publications on oil economies and development etc.

RESULTS AND DISCUSSION

Evaluation of the Agricultural and Manufacturing Sectors in Oil Dependent Bayelsa State, Nigeria.

1. The Agricultural Sector in Bayelsa State

The agricultural sector in Bayelsa State has historically been the main source of livelihood for the inhabitants, given the state's location in the Niger Delta region with abundant water bodies, fertile swampy land, and rich biodiversity. Prior to the dominance of crude oil, agriculture particularly fishing, crop farming, and palm produce cultivation formed the base of the local economy in Bayelsa (UNDP, 2021).

Fishing remains one of the most important agricultural activities due to the extensive riverine and coastal environment of the state. However, the sector has experienced significant decrease as a result of environmental degradation caused by oil exploration activities by oil MNCs, including water pollutions, oil spills and gas flaring. These environmental challenges have polluted water bodies and decreased fish populations, thereby undermining the productivity of fishing communities in Bayelsa (UNEP, 2022; World Bank, 2023).

Crop production is also largely subsistence based in the Bayelsa, with crops such as cassava, yam, plantain, and vegetables being commonly cultivated. However, agricultural productivity remains low due to flooding, environmental degradation due to oil spills, soil contamination, inadequate infrastructure, and limited access to modern farming techniques (NBS, 2024). The dependence on oil revenues has also led to reduced government investment in agriculture, further limiting the sector's capacity for growth and commercialization. Thus, the agricultural sector in Bayelsa State is characterized by low level of productivity**,** environmental vulnerability, and underinvestment despite the sector's high potential for economic diversification and development.

2. The Manufacturing Sector in Bayelsa State

The manufacturing sector in Bayelsa State is one of the least developed in Nigeria. Unlike industrialized states such as Lagos or Rivers, Bayelsa has a very small industrial base, with limited presence of large-scale manufacturing industries. The sector is made up of microand small-scale enterprises, particularly in food processing, fish smoking, woodwork, and artisanal activities (NBS, 2024). A major constraint to development of the manufacturing sector in the state is the absence of adequate infrastructure, including poor electricity supply, limited road networks, and insufficient industrial facilities. These issues significantly increase the cost of production and discourage private sector investment (World Bank, 2023).

In addition, the overwhelming dependence on oil resource has led to neglect of industrial policy development, as attention and revenue are mostly concentrated in the petroleum sector. This further aligns with the broader resource curse assertions that oil-rich regions often experience weak industrialization due to lack of diversification incentives

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(Auty, 1993; Sachs & Warner, 2001). Security challenges and environmental degradation in the Niger Delta region have also contributed to the low growth of manufacturing activities. Many investors are reluctant to establish industries in the state due to instability and operational risks. Thus, the manufacturing sector like the agricultural sector in Bayelsa remains underdeveloped, informal, and highly constrained, with limited contribution to Gross State Product and employment generations.

3. Interrelationship and Implications for Diversification

Both the agricultural and manufacturing sectors in Bayelsa State are closely linked in terms of economic diversification potential. Agriculture provides raw materials that can support agro-based industries, while manufacturing can add value to agricultural outputs. However, the weak state of both sectors has decreased this alignment. Furthermore, environmental degradation experienced in the state, weak infrastructure, and oil resource dominance has created a structural imbalance in the Bayelsa economy, reinforcing dependence on crude oil revenues. This situation reflects findings from the resource curse literature**,** which shows that crude oil-rich regions often experience the decline of traditional and productive sectors due to neglect and misallocation of revenues (Badeeb, et al. 2017; World Bank, 2023).

Appraisal of the Nigerian Oil Resource and Bayelsa State Economic Dependence, 1991-2025.

Oil dependence has significantly shaped the economic structure and development trajectory of Bayelsa State, with largely adverse implications for diversification. Despite being one of Nigeria's major oil producing states, Bayelsa exhibits characteristics typical of oil dependent economy, where the dominance of a single extractive oil sector limits the growth of alternative productive sectors. This situation is mixed with existing crisis of development such as the inability of the Bayelsa State government to harmonize available state resources to address the issues of unemployment, inequality and poverty mostly attributed to bad leadership, weak government policies, corruption, lack of adequate human capital development in the state (Orusaibogha, 2023). One of the major effects of heavily depending on oil is the persistence of a mono-economic structure in the state**.** Government revenue in Bayelsa Stateis mainly tied to oil receipts through federal allocations distributed by the Federation Account Allocation Committee (FAAC), leading to low urge in developing the state's non-oil sectors such as agriculture, fisheries, and manufacturing. Data from National Bureau of Statistics indicates that oil producing regions including Bayelsa, often rely on crude oil rents for fiscal revenue, thwarting diversification efforts (NBS, 2024). Oil price fluctuations in the global oil market directly affect government revenue and public expenditure in Bayelsa State. Decline in oil prices often lead to budget shortfalls, stalled development projects, and reduced investment in non-oil sectors. The International Monetary Fund (IMF) notes that such volatility continues to pose macroeconomic risks for oil dependent regions in Nigeria, limiting their ability to sustain diversification policies (IMF, 2023).

Strong oil reliance also contributes to institutional weaknesses and governance challenges. Easy access to oil rents reduces revenue generation from other sectors of the economy, weakens accountability and public sector efficiency. Empirical studies have shown that oil resource dependent economies like Bayelsa State of Nigeria tend to experience high levels of corruption and weak institutional qualities, which undermines effective economic planning and economic diversification (Badeeb, et al. 2017; Transparency International, 2024). The dominance of the oil over other sectors in Bayelsa attracts labour and capital away from agriculture and local industries, reducing their productivity and competitiveness for diversification. Traditional economic activities such as fishing and farming in Bayelsa, have been marginalized, contributing to high level of unemployment, inequality and rural poverty. This structural imbalance aligns with findings that oil resource boom often suppresses industrial and agricultural development (Van Der Ploeg, 2011; World Bank, 2023).

A critical dimension specific to Bayelsa State is environmental degradation resulting from oil exploration. Oil spills, gas flaring, and ecosystem destruction have significantly affected agricultural land and aquatic resources, thereby undermining alternative livelihoods. Recent environmental assessments highlight the continued ecological damage in the Niger Delta and its negative impact on local economies (UNEP, 2022; UNDP, 2023). This creates a reinforcing cycle in which environmental damage further limits diversification opportunities.

However, oil dependence is not entirely without potential benefits. Oil revenues provide financial resources that could be invested in infrastructure, human capital development, and economic diversification initiatives. The challenge lies in the effective management, allocation and utilization of these resources. Evidence suggests that where institutions are strong, resource wealth can support diversification, but in weak institutional settings, it often exacerbates oil resource dependence detrimental to diversification of the economy (World Bank, 2023).

Overall, oil resource dependence in Bayelsa State seems to have hindered economic diversification greatly**.** The combined effects of revenue volatility, institutional weaknesses, structural imbalances, and environmental degradation have limited the development of a broad-based economy. This outcome is consistent with the propositions of the Resource Curse Theory**,** which explains why oil rich regions often struggle to achieve sustainable economic growth (Badeeb et al., 2017; IMF, 2023). Addressing these challenges to a large extent requires deliberate and sustained policy interventions, including strengthening governance institutions, promoting non-oil sectors, investing in infrastructure,

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human capital development and mitigating environmental damage. Without such efforts made deliberately by the state government in collaboration with other stakeholders, Bayelsa State risks being trapped in a cycle of oil dependence and limited economic transformation continually.

CONCLUSION

This study analysed the Nigerian oil resource and Bayelsa State economic dependence, 1999-2025 and established that over reliance on crude oil resource has significantly constrained the development of an all-encompassing and resilient economy. While oil have provided substantial fiscal revenue, the over dependent on oil resource has led to structural imbalances, weak development of non-oil sectors, and limited economic transformation in Bayelsa State.

The findings of the study thus align strongly with the Resource Curse Theory, which explains that oil resource-rich regions often experience underperformance in economic diversification due to institutional weaknesses, revenue volatility, and non-oil sectoral neglect. In Bayelsa State, these issues are further compounded by environmental degradation from oil production activities, which has severely affected agriculture and fisheries as alternative sources of livelihood negatively. In addition, the study points out that governance challenges and overdependence on federally derived oil revenues have reduced incentives for internally generated revenue and private sector led diversification. As a result, economic activities remain concentrated in the oil sector, leaving the state vulnerable to external influence such as fluctuations in global prices of oil.

Despite these challenges, the study recognizes that oil revenues present an opportunity for diversification if effectively utilized. Strategic investment in infrastructure, human capital development, and non-oil sectors could potentially transform the state's economic structure for development. Furthermore, the study concludes that achieving sustainable development requires deliberate policy reforms, stronger institutions, environmental restoration efforts, and a coordinated drive toward economic diversification beyond reliance on oil resource.

RECOMMENDATIONS

Based on the findings of the Nigerian oil resource and Bayelsa State economic dependence from 1999-2025, the following recommendations are proposed:

1. The Bayelsa State government should design and implement comprehensive diversification policies that strengthen the development of non-oil sectors such as agriculture, fisheries, aquaculture, manufacturing and tourism.
2. Small and Medium Enterprises (SMEs) are vital drivers of economic diversification and job creation. Thus, the Bayelsa State government should create an enabling environment for Small and Medium Enterprises (SMEs) to thrive through access to finance, tax incentives, and investment friendly regulations.
3. Investment in education, vocational training, and entrepreneurship development should be prioritized by the state government to boost human capital development. A skilled workforce is necessary to support the growth of diversified economic sectors.
4. The government of Bayelsa, in collaboration with oil Multi-National Companies (MNCs), should intensify efforts to clean up the polluted environment and enforce strict environmental regulations. Restoring degraded ecosystems will revive agriculture and fishing activities.
5. Strengthening institutions and economic reforms is necessary to reduce corruption, improve accountability, and ensure efficient use of oil revenues. Transparent governance will enhance public trust and ensure that oil revenue is channelled into productive investments that will aid economic diversification.

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