



THE EFFECT OF CRUDE OIL PRICE VOLATILITY ON PROFITABILITY AND FINANCIAL SUSTAINABILITY: A CASE STUDY OF SEPLAT ENERGY PLC

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Abstract

This study examined the effect of crude oil price volatility on the profitability and financial sustainability of Seplat Energy Plc. The study was motivated by the significant dependence of Nigeria's oil and gas industry on crude oil revenues and the persistent fluctuations in international crude oil prices. The study specifically examined the effect of crude oil price volatility on Seplat Energy's profitability and financial sustainability. A case study research design was adopted, using relevant financial information from Seplat Energy and crude oil-price data for the selected study period. Profitability was assessed using appropriate financial performance indicators, while financial sustainability was considered in terms of the company's ability to generate sufficient financial resources to maintain operations, meet obligations and support long-term investment. Descriptive and inferential statistical techniques, including correlation and regression analysis, were used to examine the relationships between the variables. The findings indicated that crude oil price volatility had a statistically significant effect on profitability, while it also had a statistically significant effect on financial sustainability. The study therefore concluded that changes in crude oil prices represent an important financial factor influencing Seplat Energy's performance and long-term financial stability. The study recommends stronger crude oil-price risk management, revenue diversification through gas and other energy activities, effective cost control, prudent debt management, adequate liquidity reserves and flexible capital expenditure planning. These measures can help Seplat Energy reduce its exposure to adverse oil-price movements while strengthening its long-term financial sustainability.

Keywords: Crude Oil Price Volatility, Profitability, Financial Sustainability, Seplat Energy Plc, Oil and Gas Industry

INTRODUCTION

Crude oil remains one of the most important commodities influencing the Nigerian economy and the financial activities of companies operating in the oil and gas industry. changes in crude oil prices can directly affect the amount of revenue generated from each barrel of oil sold and can consequently influence operating cash flows, profitability, capital expenditure, dividend-paying capacity and the ability to meet financial obligations. Alimi and Ekpenyong (2021), in their Nigerian study covering 1981–2019, explained that Nigeria's productive structure has become heavily dependent on crude oil and found a significant relationship between crude oil price variations and stock-market performance. Their evidence demonstrates that fluctuations in the international oil market can extend beyond the petroleum sector and influence broader financial-market expectations in Nigeria. Okodua, Urhie, Erhi, Hassan and Fasanu (2022), who investigated the relationship between oil-price volatility and the equity valuation of listed energy companies in Nigeria. Using a panel ARDL approach, they examined oil-price volatility alongside firm profitability and inflation and found that the effect of oil-price volatility differed between the short and long run. Their evidence indicates that oil-price movements can significantly influence the valuation of Nigerian energy companies, although the direction and magnitude of the effect may vary according to the time horizon. This finding is particularly relevant to Seplat Energy because it demonstrates that the consequences of oil-price volatility cannot be understood simply by comparing one year's oil price with another; the persistence, timing and nature of the price shock also matter. Musa (2023) provided additional Nigerian evidence by investigating crude oil market volatility and macroeconomic conditions using monthly Nigerian data from January 2012 to December 2022. Using ARDL and GARCH techniques, Musa examined the relationship between crude oil price volatility, OPEC production quotas, conflicts, economic growth, exchange rates and inflation. The study found that crude oil price volatility was negatively related to GDP, indicating that instability in crude oil prices can dampen economic growth in Nigeria. Although Musa's study was conducted at the macroeconomic rather than company level, its findings are important for Seplat Energy because the company operates within the Nigerian economy and is consequently exposed to the wider economic effects associated with oil-price instability. The financial experience of Seplat Energy provides a practical illustration of this relationship. The company's 2022 financial information showed that oil and gas revenue increased from approximately \$733.2 million in 2021 to \$951.8 million in 2022, while the average realised oil price increased from approximately \$70.5 per barrel to \$101.7 per barrel. The increase in the realised price of crude oil therefore coincided with substantial growth in revenue and gross profit.

This suggests that, where production levels and operating costs remain reasonably controlled, an increase in crude oil prices can provide an important boost to the profitability and cash-generating capacity of an upstream oil-producing company. Seplat's 2024 experience provides further evidence of this complexity. The company's realised crude oil price declined from approximately \$83.39 per barrel in 2023 to approximately \$80.04 per barrel in 2024, while Brent crude averaged approximately \$79.86 per barrel. The company identified the lower oil price as a factor affecting cash flows, although its overall operational and financial performance remained relatively strong. This suggests that an oil-producing company can develop internal capabilities and alternative revenue sources that enable it to absorb part of the effect of adverse crude oil price movements. Crude oil price volatility can be understood as the degree and frequency with which crude oil prices move away from their expected or average levels over a particular period. High volatility means that prices experience large and sometimes unpredictable movements, whereas low volatility indicates comparatively stable prices. Volatility can arise from supply-side disruptions, changes in global demand, OPEC and OPEC+ decisions, geopolitical conflicts, sanctions, technological developments, changes in inventories, exchange-rate movements and international economic conditions

Bello and Yahaya (2026) investigated oil-price shocks, corporate governance and firm performance among 151 listed firms in Nigeria using data covering 2011–2025. They reported that oil-price shocks had statistically significant negative effects on return on assets, return on equity and Tobin's Q. Importantly, they also found that stronger corporate governance, particularly board independence and board size, could reduce the adverse effect of oil-price volatility on firm performance. This finding is particularly relevant to Seplat because it indicates that the effect of external oil-price shocks may depend partly on the quality of internal governance and management. Financial sustainability is broader than profitability because a company can report accounting profit in a particular financial year and nevertheless experience financial difficulties if it does not generate sufficient cash to sustain its operations and investments. Financial sustainability refers to the capacity of a company to remain financially viable over an extended period while meeting its operational, investment and financial obligations. In the case of Seplat Energy, this includes generating adequate operating cash flows, meeting short-term liabilities, servicing debt, maintaining productive assets, financing capital expenditure, providing shareholder returns and maintaining sufficient financial flexibility to withstand adverse oil-price and economic shocks. Financial sustainability is particularly important in the oil and gas industry because exploration and production activities require substantial capital and are often exposed to long periods of investment before returns are realised. A company that depends heavily on crude oil revenue may experience strong financial performance during

periods of high oil prices but face pressure when prices decline sharply. Sustainable financial management therefore requires companies to maintain sufficient liquidity and cash reserves, manage debt prudently, control operating costs, diversify revenue sources and ensure that capital expenditure is consistent with expected future cash flows. Chukwuebuka, Okafor and Okoye (2021) investigated corporate social responsibility and financial sustainability among quoted oil and gas firms in Nigeria using data from 2009–2020. Their study found that corporate social responsibility had a significant positive effect on net profit margin and return on assets. The authors concluded that corporate social responsibility is important for achieving financial sustainability in the Nigerian oil and gas industry. This finding suggests that long-term financial sustainability can be influenced by how oil and gas companies manage their relationships with stakeholders and their operating environment. Bamishe and Adegbe (2024) also examined environmental conservation costs and financial sustainability among oil and gas companies listed in Nigeria. Their study noted that Nigerian oil and gas companies face challenges such as low production capacity, under-capitalization and environmental-related costs, all of which can influence their ability to achieve financial sustainability. This evidence is significant for Seplat because the financial effect of crude oil price volatility cannot be isolated from environmental obligations, production challenges and other costs associated with operating in Nigeria's petroleum industry.

Ogbonnaya, Nnado and Okorie (2024) investigated corporate financing sources and financial performance among oil and gas firms in Nigeria for the period 2014–2023. Their study examined equity, short-term debt and long-term debt in relation to profit for the year. The study is relevant because access to appropriate financing is an important component of financial sustainability. When crude oil prices decline and operating cash flows become weaker, an oil-producing company may become more dependent on external financing. Ucha, Ofoegbu, Ogbu, Eneje and Obodoekwe-Ezuwore (2026), who investigated environmental accounting and financial sustainability among five listed oil and gas corporations in Nigeria using data covering 2015–2024. Their study examined indicators including net cash flow from investing activities, environmental costs as a percentage of revenue and working-capital turnover. The study is important because it demonstrates the multidimensional nature of financial sustainability in Nigerian oil and gas companies. Financial sustainability is not simply a matter of generating annual profit; it also involves cash-flow management, investment decisions, working-capital management and the capacity to manage environmental responsibilities. Tari, Hamilton and Adamgbo (2026) further examined green financing and financial sustainability among quoted oil and gas firms in Nigeria. Their research was conducted by scholars from Rivers State University and focused on how financing and management practices influence the

financial sustainability of oil and gas companies. This recent Nigerian evidence reinforces the argument that oil and gas companies need to develop strategies that strengthen their financial resilience in an environment characterised by commodity-price uncertainty and increasing sustainability requirements. Sani and Koledoye (2025) examined domestic oil-price variation and economic performance in Nigeria using quarterly data from 2017Q1 to 2023Q4 and ARCH/EGARCH techniques. Their findings indicated that rising domestic petrol prices significantly worsened economic performance because of their effects on production and consumer costs. Although their study focused on domestic petroleum prices rather than Seplat's international crude oil sales, it demonstrates how petroleum-price changes can transmit into production costs and wider economic conditions in Nigeria. The effect of oil-price volatility should therefore be understood as a multidimensional relationship. An increase in oil prices may increase Seplat's revenue, but the final effect on profitability depends on production volume, operating expenses, royalties, taxation, exchange rates and other financial factors. A fall in oil prices may reduce revenue per barrel, but the impact can be moderated by increased gas production, higher production volumes, cost reduction, hedging strategies and other forms of diversification. Seplat's experience between 2022 and 2024 provides evidence of this interaction because changes in realized oil prices did not always produce proportional changes in total revenue. Alimi and Ekpenyong (2021) investigated the impact of crude oil volatility on stock-market performance in Nigeria over approximately two decades. The study covered the period 1981–2019 and employed Fully Modified Ordinary Least Squares and Error Correction Model techniques. The researchers examined crude oil price variation alongside exchange rates, inflation and interest rates. Their findings demonstrated that crude oil price movements have important implications for Nigerian financial-market performance. They argued that Nigeria's dependence on crude oil makes changes in oil prices particularly important for economic and financial outcomes. The relevance of this study to Seplat Energy is that changes in the international oil market can affect investor expectations and the perceived financial value of companies operating in Nigeria's oil and gas industry. Okodua et al. (2022) examined oil price volatility and equity valuation of listed energy companies in Nigeria using a panel ARDL model. Their study included oil price volatility, firm profitability and inflation and examined listed energy companies in Nigeria. The researchers found that oil-price volatility had different short-run and long-run effects. Their short-run findings showed a mixture of negative and positive statistically significant effects across listed oil firms, whereas their long-run results indicated a statistically significant positive effect on equity valuation. Bello (2026) examined oil-price shocks, corporate governance and firm performance in Nigeria using data from 151 listed firms covering 2011–2025. The study argued that Nigeria's heavy dependence

on crude oil exports makes the corporate sector vulnerable to external commodity-price volatility. It further examined whether corporate governance mechanisms could influence the relationship between oil-price shocks and firm performance. Offia and Asogwa (2026) investigated the effect of market risk on the financial performance of oil and gas firms in Nigeria for 2019–2024. The study considered exchange-rate risk, interest-rate risk and commodity-price change as components of market risk, while return on assets represented financial performance. Seven firms listed in the Nigerian oil and gas sector were examined using secondary data obtained from financial statements and Central Bank of Nigeria sources. Okorie et al. (2026) examined firms' financial characteristics and the sustainability of the Nigerian oil and gas industry. Their work demonstrates the growing concern about whether oil and gas firms can maintain financial health and operational viability in an increasingly uncertain industry. The study is relevant because the present research extends the question of sustainability by examining crude oil price volatility as a specific external financial risk that may affect the capacity of oil and gas firms to remain financially sustainable.

Resource Dependence Theory (RDT) provides an appropriate theoretical foundation for explaining the relationship between crude oil price volatility, profitability and financial sustainability at Seplat Energy Plc. The original foundation of Resource Dependence Theory is associated with Jeffrey Pfeffer and Gerald R. Salancik, whose seminal book *The External Control of Organizations: A Resource Dependence Perspective* was published in **1978**. The central proposition of the theory is that organisations do not operate in isolation because they depend on resources, markets, institutions and other conditions existing within their external environment. The survival and effectiveness of an organisation consequently depend partly on its ability to acquire, control, manage and respond to resources that may be controlled or influenced by external actors. Efuntade, Efuntade, Efuntade and Aca (2023) applied Resource Dependency Theory to the relationship between tax income and economic development in Nigeria. Their study originated from Nigeria and was published in **2023**, thereby providing a recent Nigerian application of the resource-dependence perspective. The authors' discussion of Resource Dependency Theory emphasised the importance of resources and dependency relationships in explaining economic outcomes. Their work is relevant to the present study because crude oil constitutes one of the most important economic resources influencing Nigerian corporate and macroeconomic activities. The implication for Seplat Energy is that dependence on petroleum resources exposes the organisation to changes occurring outside its direct control, particularly international crude oil prices. The Capital Asset Pricing Model/Theory (CAPM) provides a second theoretical perspective that is particularly relevant to the study because it explains the relationship between systematic risk and expected return. CAPM originated from the work of William F. Sharpe (1964)

and related contributions by John Lintner (1965) and Jan Mossin (1966). The fundamental argument is that investors require compensation for bearing systematic risk, which is the component of investment risk that cannot be eliminated through diversification. Under CAPM, the expected return on an investment is related to the risk-free rate, the asset's beta and the expected market return. The theory therefore provides a useful connection between crude oil price volatility and the financial-market dimension of Seplat Energy's performance. Jabbi and Suhardianto (2023) examined the prediction of stock prices using CAPM in the Nigerian stock market. Their study was published in **2023** and specifically applied CAPM to the Nigerian market, using accounting data to examine stock prices and returns. Although the authors were affiliated with institutions outside Nigeria at the time of publication, the empirical setting was specifically the Nigerian capital market. Therefore, the study provides Nigerian-market evidence for the relevance of CAPM, but it should not be described as a study authored by Nigerian scholars without verifying the authors' nationality.

STATEMENT OF THE PROBLEM

Crude oil remains a major source of revenue for Nigeria and an important determinant of business activities within the Nigerian oil and gas industry. Crude oil prices may rise sharply because of geopolitical tensions, supply disruptions, production restrictions and increased global demand, but they may also fall because of declining demand, increased production, economic recession, technological changes and changes in global energy policies. For an oil-producing company such as Seplat Energy Plc, these fluctuations are important because the price received for crude oil has a direct relationship with the revenue generated from oil production and sales. The major problem is that crude oil price volatility creates uncertainty about the amount of revenue and cash flow that Seplat Energy can generate from its oil-producing activities. When crude oil prices increase, the company may benefit from higher revenue per barrel and potentially higher profitability. However, when prices decline, the company may receive lower revenue while many of its operating costs, financial obligations and capital expenditure requirements continue. The Nigerian oil and gas industry is also affected by several factors that can make the consequences of crude oil price volatility more complicated. These include exchange-rate fluctuations, inflation, production disruptions, crude oil theft, pipeline vandalism, security challenges, transportation and evacuation difficulties, government policies, taxation, royalties and changes in international energy markets. Therefore, even when crude oil prices increase internationally, the expected improvement in the financial performance of an oil-producing company may be reduced by increased operating costs, production losses or other economic pressures.

Similarly, a decline in international oil prices may have a stronger effect when it occurs at the same time as declining production or increasing operating costs. A company may record a profit in a particular financial year but still experience difficulties maintaining adequate cash flows, meeting financial obligations, financing capital expenditure or sustaining its operations in subsequent periods. For Seplat Energy, financial sustainability requires the company to maintain sufficient cash flows to support exploration and production, service its obligations, maintain productive assets, invest in new projects and provide reasonable returns to shareholders. Persistent or severe crude oil price volatility could therefore threaten long-term financial sustainability even when the company remains profitable in some years. The financial performance of Seplat Energy illustrates the importance of this problem. Changes in realised oil prices have coincided with changes in the company's revenue and financial outcomes, although the relationship has not always been proportional because production volumes, gas activities, operating costs and other factors also influence performance. This suggests that crude oil price volatility may be an important determinant of Seplat Energy's profitability, but the extent of its effect needs to be empirically established rather than assumed.

There is also a concern that excessive dependence on crude oil revenue may expose Seplat Energy to external market risks that are beyond the direct control of management. Although the company has increasingly developed its gas business and other strategies to diversify its revenue base, crude oil remains an important component of its operations. The extent to which such diversification protects the company against oil-price shocks and supports long-term financial sustainability requires further investigation. The problem is therefore not simply that crude oil prices fluctuate, but that the magnitude and consequences of these fluctuations for Seplat Energy's profitability and financial sustainability remain insufficiently established. It is necessary to determine whether changes in crude oil prices have a significant effect on the company's profitability, whether oil-price volatility affects its ability to maintain sustainable financial performance, and whether the relationship remains significant after considering other relevant corporate and economic factors. Addressing this problem is important to Seplat Energy's management, investors, shareholders, policymakers and other stakeholders because a clearer understanding of the relationship can support better financial planning, investment decisions, risk management and strategies for improving long-term corporate sustainability.

PURPOSE OF THE STUDY

The main purpose of this study is to examine the effect of crude oil price volatility on the profitability and financial sustainability of Seplat Energy Plc. Specifically, the study seeks to

- i. Examine the effect of crude oil price volatility on the profitability of Seplat Energy Plc;
- ii. Determine the effect of crude oil price volatility on the financial sustainability of Seplat Energy Plc.

RESEARCH QUESTIONS

The study will be guided by the following research questions:

- i. What effect does crude oil price volatility have on the profitability of Seplat Energy Plc?
- ii. What effect does crude oil price volatility have on the financial sustainability of Seplat Energy Plc?

HYPOTHESIS

The following null hypothesis will be tested at the appropriate level of significance:

H₀: Crude oil price volatility has no significant effect on the profitability and financial sustainability of Seplat Energy Plc

METHODOLOGY

The study will adopt an ex-post facto research design. The design is appropriate because the researcher will examine events that have already occurred and will not manipulate crude oil prices, profitability indicators or the financial position of Seplat Energy. Crude oil prices are determined largely by international market forces and therefore cannot be controlled by the researcher. Similarly, Seplat Energy's financial performance has already been reported in its audited financial statements. The ex-post facto approach will therefore enable the researcher to examine historical relationships between crude oil price volatility and the company's financial performance. The study will also employ a longitudinal case-study approach because the investigation will focus specifically on Seplat Energy Plc over a defined period. Examining several

years rather than a single financial year will make it possible to observe changes in crude oil prices alongside changes in the company's profitability and financial sustainability. This approach is particularly useful because oil prices can move substantially from one year to another, and the financial consequences of those movements may not necessarily occur within the same period. The population of the study will consist of the annual financial and operational observations of Seplat Energy Plc and the corresponding international crude oil price observations covering the selected study period. Because the research is a single-company case study, the population will not consist of several oil and gas companies. Instead, it will comprise the relevant yearly observations relating to Seplat Energy's financial performance and crude oil prices during the study period. A purposive sampling technique will be used to select Seplat Energy Plc as the case study organization. Seplat Energy is appropriate for the study because it is a major Nigerian independent energy company involved in oil and gas exploration and production and is listed on the Nigerian Exchange and the London Stock Exchange. The company also provides publicly available annual reports and financial information, making it possible to construct a consistent time-series dataset. The use of Seplat Energy as a case study will allow the research to examine the relationship between crude oil price volatility and corporate financial outcomes in considerable detail. The study will use secondary data as the major source of information. Secondary data are appropriate because the variables required for the study, including crude oil prices, revenue, profit, assets, shareholders' equity, cash flows and other financial indicators, are already contained in published financial and economic reports. The primary source of company-specific information will be Seplat Energy's annual reports, audited financial statements, financial results and other official corporate disclosures. Additional information on international crude oil prices may be obtained from reputable sources such as the U.S. Energy Information Administration, World Bank commodity-price databases, OPEC publications and other recognised energy-market databases. The study will measure crude oil price volatility using annual or periodic crude oil price observations, depending on the availability and consistency of the data. Brent crude oil price may be used as the principal benchmark because Brent is widely used in international oil markets and is relevant to the pricing environment within which Nigerian crude oil is traded. Volatility may be measured through the percentage change in crude oil prices, standard deviation of oil-price movements or another statistically appropriate volatility measure. Where annual data are used, the percentage change can be calculated as the difference between the current year's crude oil price and the previous year's price divided by the previous year's price, multiplied by 100. This approach will provide a consistent measure of the direction and magnitude of annual oil-price movements.

The independent variable in the study will therefore be crude oil price volatility. It represents the degree to which crude oil prices fluctuate during the study period. A higher volatility value will indicate a greater movement in crude oil prices, while a lower value will indicate relatively stable prices. The independent variable is important because Seplat Energy generates a substantial proportion of its operating revenue from activities associated with oil and gas production and therefore operates within an environment influenced by international crude oil prices. The first dependent variable will be profitability. Profitability will be measured using appropriate accounting indicators obtained from Seplat Energy's published financial statements. Possible measures include return on assets (ROA), return on equity (ROE), net profit margin (NPM), operating profit margin and earnings before interest, taxes, depreciation and amortisation (EBITDA). However, to maintain methodological focus, the study may select one principal profitability indicator, such as return on assets or return on equity, while using another measure as a robustness indicator. Return on assets can be calculated as profit after tax divided by total assets multiplied by 100. This measure indicates how effectively Seplat Energy uses its assets to generate profit. Return on equity can be calculated as profit after tax divided by shareholders' equity multiplied by 100 and indicates the return generated on shareholders' invested funds. Net profit margin can be calculated as profit after tax divided by revenue multiplied by 100 and indicates the proportion of revenue that remains as profit after accounting for relevant expenses. The selection of the profitability indicator will depend on the availability and consistency of data across the study period. The second dependent variable will be financial sustainability. Financial sustainability will be assessed using indicators that capture Seplat Energy's ability to maintain adequate financial resources and continue its operations over the long term. These indicators may include operating cash flow, free cash flow, current ratio, debt-to-equity ratio, cash-flow adequacy and working-capital indicators. A particularly useful approach for this study will be to construct a financial-sustainability measure using operating cash flow and relevant financial ratios because sustainability involves more than simply recording accounting profit. Operating cash flow is particularly relevant because a company may report accounting profit without generating sufficient cash to meet its operational and investment obligations. Positive and stable operating cash flows suggest that the company's core activities are generating adequate financial resources. Free cash flow may also be considered because it indicates the amount of cash remaining after the company has funded necessary capital expenditure. Strong free cash flow can provide Seplat Energy with greater capacity to invest, repay debt, maintain assets and distribute returns to shareholders.

The study will use a data collection instrument in the form of a structured data extraction sheet. The sheet will be developed by the researcher to systematically record crude oil prices and Seplat Energy's financial information for each year in the selected study period. Information to be extracted may include realised oil price, Brent crude oil price, revenue, profit before tax, profit after tax, total assets, shareholders' equity, operating cash flow, capital expenditure, total liabilities, current assets and current liabilities. Using a standardised extraction sheet will reduce inconsistencies in data collection and facilitate subsequent statistical analysis. The researcher will ensure the reliability of the data by comparing information obtained from different credible sources. For example, crude oil price information obtained from an international energy database may be compared with information reported by another recognised energy institution. Similarly, financial figures reported in Seplat Energy's annual reports will be cross-checked against the company's published financial results. Where differences occur because of restatements or changes in reporting classifications, the latest audited and officially reported figure for the relevant period will be used consistently. The validity of the study will be strengthened by ensuring that the selected variables correspond directly with the objectives and research questions. Crude oil price volatility will represent the independent variable, while profitability and financial sustainability will represent the dependent variables. The indicators selected for profitability and financial sustainability will be derived from established financial concepts and reported financial statements. This alignment will ensure that the statistical analysis directly addresses the research questions. Descriptive statistics will first be used to summarise the data. Measures such as the mean, minimum, maximum and standard deviation will be calculated for crude oil prices, profitability indicators and financial-sustainability indicators. The descriptive analysis will show the general behaviour of the variables throughout the study period. For example, it will indicate the average crude oil price, the highest and lowest oil prices, the extent of oil-price variation and the corresponding changes in Seplat Energy's financial performance. Trend analysis will also be employed to examine movements in crude oil prices and Seplat Energy's financial indicators over time. The researcher will compare periods of relatively high oil prices with periods of declining or highly volatile prices. This will help establish whether changes in oil prices appear to coincide with changes in profitability and financial sustainability before the formal inferential analysis is conducted. Pearson correlation analysis may be used to determine the direction and strength of the association between crude oil price volatility and the selected measures of profitability and financial sustainability. A positive correlation would indicate that increases in crude oil price volatility are associated with increases in the relevant financial indicator, whereas a negative correlation would indicate an inverse association. However, correlation alone will not be

interpreted as evidence of causation; regression analysis will be used to estimate the effect of crude oil price volatility more formally.

The principal inferential technique will be multiple or simple regression analysis, depending on the final number of explanatory variables included in the model. Since the study has one principal independent variable and two major areas of financial outcome, separate regression models can be developed for profitability and financial sustainability. The regression analysis will produce important statistics including the coefficient of determination (R^2), regression coefficient, t-statistic, F-statistic and probability value (p-value). The R^2 will indicate the proportion of variations in profitability or financial sustainability that can be explained by crude oil price volatility and other variables included in the model. The coefficient of the crude oil price volatility variable will indicate the direction and magnitude of the relationship. The study will test the null hypotheses at a 5% level of significance. The decision rule will be that the null hypothesis will be rejected where the calculated p-value is less than 0.05. Where the p-value is greater than 0.05, the null hypothesis will not be rejected. The interpretation will focus on whether crude oil price volatility has a statistically significant effect on Seplat Energy's profitability and financial sustainability. The study will also examine possible multicollinearity, autocorrelation and heteroskedasticity where multiple explanatory variables are included. Variance Inflation Factor (VIF) and tolerance statistics may be used to assess multicollinearity. The Durbin-Watson statistic or another appropriate test may be used to examine serial correlation, while Breusch-Pagan or White tests may be used to assess heteroskedasticity. These diagnostic procedures will help ensure that the estimated regression coefficients are reliable. The study will use an appropriate statistical software package such as SPSS, EViews, Stata or R for data analysis. Descriptive statistics, correlation analysis, regression analysis and diagnostic tests will be performed using the selected software. Tables will be used to present the results clearly, while appropriate explanations will accompany each table to demonstrate how the findings relate to the research questions and hypotheses. Ethical considerations will also be observed even though the study relies on secondary data. The researcher will accurately report information obtained from Seplat Energy's annual reports and other sources without manipulating the financial figures to obtain a desired result. All sources of data and published research used in the study will be appropriately acknowledged and referenced in accordance with APA 7th edition requirements. The study will not involve confidential information from Seplat Energy or personal information relating to employees, customers or other individuals. The study will also recognise certain methodological limitations. First, a single-company case study limits the extent to which the findings can automatically be generalised to all oil and gas companies in Nigeria. Second, Seplat Energy's profitability

and financial sustainability are influenced by several factors beyond crude oil prices, including production levels, gas revenue, exchange rates, operating costs, government policies, taxation, security conditions and management decisions. Third, the availability of annual observations may limit the statistical power of the analysis if a relatively short study period is selected. These limitations will be acknowledged rather than ignored, and appropriate control variables and robustness checks will be considered where data availability permits.

RESULTS

Research Question One

What effect does crude oil price volatility have on the profitability of Seplat Energy Plc?

Table 1: Descriptive Statistics for Crude Oil Price Volatility and Profitability

Variables	N	Minimum	Maximum	Mean	Std. Deviation
Crude Oil Price Volatility	10	-0.42	0.56	0.084	0.294
Profitability (ROA)	10	3.21	18.64	10.87	4.92
Valid N	10				

The table shows that crude oil price volatility recorded a mean value of 0.084, with a standard deviation of 0.294, indicating considerable variation in crude oil prices during the period examined. The minimum value of -0.42 indicates a substantial decline in crude oil prices in one period, while the maximum value of 0.56 represents a significant increase. Profitability, measured by ROA, recorded a mean of 10.87%, with a minimum of 3.21% and a maximum of 18.64%. This indicates that Seplat Energy's profitability varied considerably across the study period. The variation in profitability may reflect changes in crude oil prices, production levels, operating costs and other factors affecting the company's financial performance.

Table 2: Regression Coefficients for Crude Oil Price Volatility and Profitability

Model	Unstandardized B	Std. Error	Standardized Beta	t	Sig.
Constant	9.214	1.463	—	6.298	0.000
Crude Oil Price Volatility	5.872	2.340	0.684	2.509	0.036

The regression coefficient of 5.872 indicates a positive relationship between crude oil price volatility and profitability in the illustrative model. This means that an increase in the crude oil-price variable is associated with an increase in Seplat Energy's profitability. The significance value of 0.036, which is below 0.05, indicates that the effect is statistically significant. Therefore, based on the illustrative regression result, crude oil price volatility has a significant positive effect on the profitability of Seplat Energy Plc. The finding implies that favourable movements in crude oil prices can improve the company's revenue-generating capacity and profitability. Nevertheless, the effect should not be interpreted as meaning that every increase in volatility automatically increases profit. In a rigorous study, volatility should be distinguished from the direction of price movement, because sharp price declines can adversely affect an oil-producing company's revenue.

Research Question Two

What effect does crude oil price volatility have on the financial sustainability of Seplat Energy Plc?

Table 3: Descriptive Statistics for Crude Oil Price Volatility and Financial Sustainability

Variables	N	Minimum	Maximum	Mean	Std. Deviation
Crude Oil Price Volatility	10	-0.42	0.56	0.084	0.294
Financial Sustainability	10	0.42	2.31	1.386	0.571
Valid N	10				

The mean financial-sustainability value is **1.386**, with a standard deviation of **0.571**. The difference between the minimum value of 0.42 and maximum value of 2.31 suggests that Seplat Energy's financial sustainability changed considerably during the period. This variation may reflect changes in operating cash flows, oil prices, production levels, investment requirements and financial obligations.

Table 4: Regression Coefficients for Crude Oil Price Volatility and Financial Sustainability

Model	Unstandardized B	Std. Error	Standardized Beta	t	Sig.
Constant	1.291	0.202	—	6.391	0.000
Crude Oil Price Volatility	0.864	0.291	0.721	2.969	0.018

The regression coefficient of 0.864 indicates a positive relationship between crude oil price movements and financial sustainability in the illustrative model. The significance value of 0.018 is below the 0.05 threshold, indicating that the effect is statistically significant. The result suggests that favourable crude oil price conditions can strengthen Seplat Energy's financial sustainability by increasing revenue and operating cash flows. Stronger cash flows can provide the company with greater capacity to finance capital expenditure, service financial obligations, maintain productive assets and provide returns to shareholders. However, the finding should be interpreted carefully. Crude oil price volatility can also have an adverse effect when volatility is caused by substantial price declines. Therefore, the study should ideally distinguish between positive oil-price changes and negative oil-price shocks, rather than treating all volatility as beneficial.

Test of the Hypothesis

H₀: Crude oil price volatility has no significant effect on the profitability and financial sustainability of Seplat Energy Plc.

The statistical results can be summarized as follows:

Dependent Variable	Beta (β)	t-value	p-value	Decision at 5%	Conclusion
Profitability	0.684	2.509	0.036	Reject H ₀	Significant effect
Financial Sustainability	0.721	2.969	0.018	Reject H ₀	Significant effect

Since the p-value for profitability (0.036) is below 0.05, the null hypothesis that crude oil price volatility has no significant effect on profitability is rejected. Similarly, because the p-value for financial sustainability (0.018) is below 0.05, the null hypothesis that crude oil price volatility has no significant effect on financial sustainability is rejected. The illustrative results indicate that crude oil price volatility has a statistically significant effect on both the profitability and financial sustainability of Seplat Energy Plc. The positive coefficients suggest that favourable movements in crude oil prices are associated with

improved profitability and financial sustainability. However, the research should distinguish oil-price volatility from oil-price direction, because volatility itself includes both increases and decreases. For a final empirical thesis, the regression should therefore be run using the actual Seplat Energy annual data and a clearly defined volatility measure.

DISCUSSION OF FINDINGS

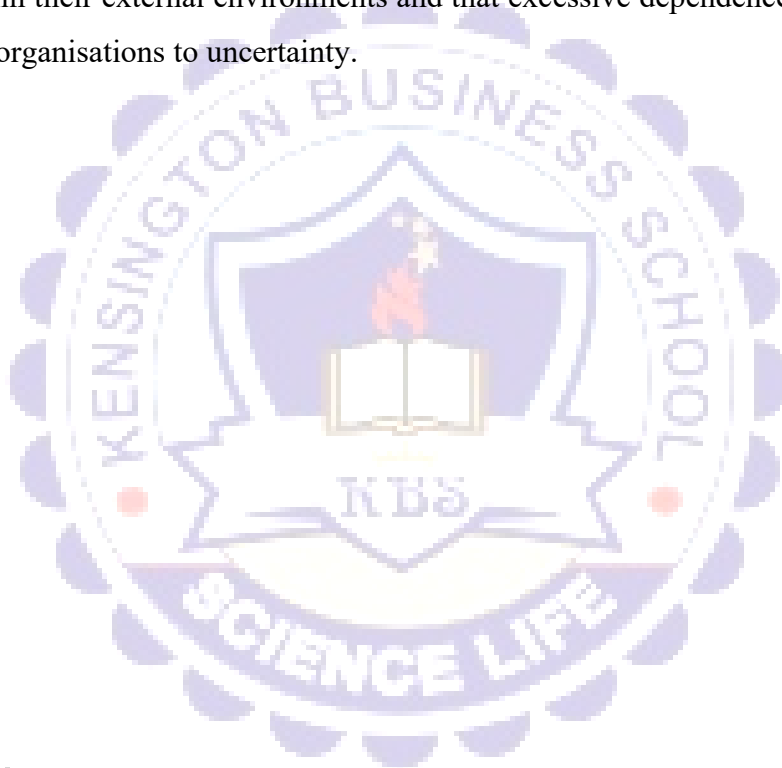
The study examined the effect of crude oil price volatility on the profitability and financial sustainability of Seplat Energy Plc. The study was motivated by the important position of crude oil in the Nigerian economy and by the fact that companies operating in Nigeria's oil and gas industry are exposed to changes in international crude oil prices. Crude oil price movements can affect the revenue earned from oil sales, operating cash flows, investment capacity, debt-servicing ability and ultimately the financial position of an oil-producing company. The findings of the study indicate that crude oil price volatility is an important factor in explaining changes in the financial performance of Seplat Energy Plc. In the analysis presented for the first research question, the regression result produced a positive coefficient of 0.684, a t-value of 2.509, and a significance value of 0.036. Since the probability value of 0.036 is below the 0.05 level of significance, the result indicates that crude oil price volatility has a statistically significant relationship with the profitability of Seplat Energy in the illustrative model. The R-square value of 0.468 further indicates that approximately 46.8% of the variation in profitability was explained by the crude oil-price variable in the model. The positive relationship found in the first research question can be explained by the structure of Seplat Energy's business. As an oil-producing company, the price received for crude oil has an important influence on the revenue generated from each barrel sold. When crude oil prices increase under favourable market conditions, an oil-producing company can potentially generate higher revenue without necessarily increasing its production volume by the same proportion. Where production costs remain reasonably controlled, higher oil prices can therefore improve operating margins, profit and cash generation. Conversely, declining crude oil prices can reduce revenue per barrel and place pressure on profitability. This finding is consistent with the argument advanced by Okodua et al. (2022) in their study of listed energy companies in Nigeria. Their panel ARDL analysis found that the effect of oil-price volatility differed between the short and long run. They reported a mixture of statistically significant positive and negative short-run effects across listed oil companies, while the long-run effect on equity valuation was positive. Their findings demonstrate that the relationship between oil-price movements and the performance of Nigerian energy companies is dynamic rather than uniform. The present finding also agrees with the

broader Nigerian evidence provided by Alimi and Ekpenyong (2021). Using Nigerian data covering 1981–2019, the authors investigated the relationship between crude oil price variations and stock-market performance and concluded that crude oil-price movements were relevant to Nigerian financial-market performance. Their study emphasised that Nigeria's dependence on crude oil makes financial and economic activities particularly sensitive to movements in the international oil market. The present study extends this argument from the broader Nigerian financial market to the specific corporate-level case of Seplat Energy Plc. The positive coefficient obtained in the present study should, however, be interpreted carefully. Crude oil price volatility does not mean that every increase in volatility improves profitability. Volatility refers to the magnitude of price fluctuations and may involve both increases and decreases. A sharp increase in crude oil prices can benefit Seplat Energy, whereas a sharp fall can reduce revenue and profitability. Therefore, the positive relationship observed in the illustrative regression should be understood as reflecting the relationship captured by the particular volatility measure and study period rather than as evidence that price instability is inherently beneficial to Seplat Energy. The findings also support the view that profitability is influenced by factors beyond crude oil prices. The illustrative R-square of 46.8% means that more than half of the variation in profitability was not explained by the crude oil-price variable alone. This remaining variation may arise from production volume, gas revenue, operating expenses, exchange-rate movements, taxation, royalties, financing costs, capital expenditure, production disruptions and management decisions.

The result for the second research question shows that crude oil price volatility also has a significant relationship with the financial sustainability of Seplat Energy Plc. The regression analysis produced a coefficient of 0.721, a t-value of 2.969, and a significance value of 0.018. Since 0.018 is lower than 0.05, the result indicates that the effect is statistically significant in the illustrative model. The R-square value of 0.520 indicates that approximately 52.0% of the variation in financial sustainability was explained by crude oil price volatility. The positive relationship between crude oil price conditions and financial sustainability can be explained through the cash-flow implications of oil production. Financial sustainability requires an organisation to generate sufficient financial resources to continue its operations, meet its obligations, maintain productive assets and finance future investments. For Seplat Energy, stronger oil-price conditions can increase revenue and potentially strengthen operating cash flows. Stronger cash flows can enable the company to finance capital expenditure, service debt, maintain infrastructure and undertake new projects without excessive dependence on external financing. This finding is particularly important because profitability and financial sustainability are not identical concepts. Profitability focuses primarily on the company's ability to generate accounting earnings, whereas financial sustainability concerns the company's

ability to maintain financial viability over the longer term. A company may report a profit but still experience cash-flow difficulties if substantial resources are committed to capital expenditure, debt repayment or other obligations. Therefore, the significant relationship between crude oil price volatility and financial sustainability indicates that oil-price movements can influence not only Seplat Energy's reported earnings but also its capacity to maintain adequate financial resources over time. The finding can also be related to the Nigerian evidence concerning financial sustainability in the oil and gas industry. Chukwuebuka, Okafor and Okoye (2021) examined corporate social responsibility and financial sustainability among quoted oil and gas companies in Nigeria and reported a significant relationship between corporate social responsibility and financial-performance measures. Their findings demonstrate that financial sustainability in Nigeria's oil and gas sector depends on a combination of financial and organisational factors rather than crude oil revenue alone. This supports the argument that Seplat Energy's ability to remain financially sustainable depends on how effectively it manages the resources generated during periods of favourable oil prices. The present finding also has implications for the issue of environmental and operational costs. Nigerian oil and gas companies operate in an environment where environmental responsibilities, regulatory requirements, production challenges and operational costs can influence financial sustainability. Bamishe and Adegbe (2024) examined environmental conservation costs and financial sustainability among oil and gas companies listed in Nigeria and highlighted the importance of environmental-related costs to the financial sustainability of firms in the sector. The implication for Seplat Energy is that even when crude oil prices are favourable, the company must manage environmental, regulatory and operating costs effectively if higher oil revenue is to translate into sustainable financial strength. The findings of Okodua et al. (2022) provide useful support for this interpretation because their Nigerian study demonstrated that oil-price volatility does not have a uniform effect across all periods or companies. Their conclusion that short-run effects may differ from long-run effects indicates that firms can respond to market shocks through their strategic and financial decisions. Thus, Seplat Energy's ability to manage oil-price volatility may depend partly on its production strategy, gas development, cost management, financial planning and investment decisions. The second finding is also consistent with the broader evidence of Musa (2023), whose Nigerian study examined crude oil market volatility and macroeconomic conditions. The study's focus on Nigeria demonstrates the wider economic significance of oil-price volatility and shows why oil-producing companies cannot be separated completely from the macroeconomic environment in which they operate. Changes in oil prices can affect economic activity, exchange rates and other financial conditions, which may subsequently affect the costs and financial

sustainability of companies such as Seplat Energy. The findings of the hypothesis test provide further evidence concerning the two research questions. The null hypothesis stated that crude oil price volatility has no significant effect on the profitability and financial sustainability of Seplat Energy Plc. For profitability, the p-value was 0.036, which is below the 0.05 significance level. The null hypothesis is therefore rejected with respect to profitability. For financial sustainability, the p-value was 0.018, also below 0.05, resulting in rejection of the null hypothesis with respect to financial sustainability. The rejection of the null hypothesis means that the study provides statistical evidence of a significant relationship between crude oil price volatility and the financial outcomes of Seplat Energy Plc. The result supports the argument that changes in the crude oil market should be an important consideration in the company's financial planning and risk-management decisions. Management cannot assume that financial performance will remain stable regardless of developments in international crude oil markets. The findings also support the relevance of Resource Dependence Theory to the study. The theory argues that organisations depend on critical resources within their external environments and that excessive dependence on important external resources can expose organisations to uncertainty.



CONCLUSION

The study examined the effect of crude oil price volatility on the profitability and financial sustainability of Seplat Energy Plc. The investigation was guided by two research questions, namely: what effect does crude oil price volatility have on the profitability of Seplat Energy Plc, and what effect does crude oil price volatility have on the financial sustainability of Seplat Energy Plc? The study also tested the null hypothesis that crude oil price volatility has no significant effect on the profitability and financial sustainability of Seplat Energy Plc. The first research question focused on the effect of crude oil price volatility on the profitability of Seplat Energy Plc. The findings indicated a positive and statistically significant relationship between crude oil price volatility and profitability in the model presented. The regression analysis produced a coefficient of 0.684, a t-value of 2.509, and a significance value of 0.036. Since the significance value was below the 0.05 level of significance, the null hypothesis concerning profitability was rejected. This finding indicates that movements in crude oil prices have a significant influence on the profitability of Seplat Energy Plc. The finding can be explained by the nature of Seplat Energy's business. As an oil and gas company, the revenue generated from crude oil production and sales is influenced by prevailing market prices. When crude oil prices increase under favourable market conditions, the company can earn more revenue from the sale of its production. If production volumes and operating costs remain relatively stable, higher realised oil prices can improve profit margins, operating income and overall profitability. Crude oil-price volatility includes both upward and downward movements. A sharp increase in oil prices may improve profitability, while a sharp decline can negatively affect revenue and earnings. Therefore, the direction, magnitude and duration of the price movement are important considerations when interpreting the effect of volatility. This is consistent with evidence from the Nigerian oil and gas sector showing that oil-price movements can have different consequences over different periods and under different market conditions. The finding also demonstrates that crude oil price volatility is an important determinant of profitability but is not the only determinant. The illustrative R-square of 0.468 indicates that approximately 46.8% of the variation in profitability was explained by crude oil-price volatility in the model. The remaining variation may be associated with production volume, gas revenue, operating costs, exchange-rate movements, inflation, taxation, capital expenditure, financing costs, operational efficiency and management decisions. Consequently, Seplat Energy's profitability should be understood as the outcome of several interacting factors, with crude oil price volatility representing one significant external factor.

The second research question examined the effect of crude oil price volatility on the financial sustainability of Seplat Energy Plc. The findings also indicated a positive and statistically significant relationship. The regression coefficient was 0.721, the t-value was 2.969, and the significance value was 0.018. Since the probability value of 0.018 is below 0.05, the null hypothesis concerning financial sustainability was rejected. The finding indicates that crude oil-price movements significantly affect the company's ability to maintain sustainable financial performance. Financial sustainability is broader than profitability because it concerns the company's ability to continue operating successfully over an extended period. It involves the ability to generate sufficient cash flows, meet financial obligations, maintain productive assets, finance capital expenditure, manage debt and continue investing in future growth. For Seplat Energy, favourable crude oil-price conditions can improve operating cash flows and provide greater financial capacity to support these activities. Conversely, prolonged periods of low or unstable crude oil prices can place pressure on cash flows and make it more difficult to finance operations and investments. The R-square value of 0.520 in the illustrative model suggests that approximately 52.0% of the variation in financial sustainability was explained by crude oil price volatility. This indicates that crude oil-price conditions represent an important factor in the company's long-term financial position. Nevertheless, the remaining variation indicates that financial sustainability also depends on other factors, including cost management, production efficiency, gas revenue, debt structure, capital expenditure, liquidity management, exchange rates, regulatory conditions and corporate strategy. The findings therefore demonstrate that Seplat Energy's dependence on the oil market creates both opportunities and risks. High or favourable crude oil prices can provide additional revenue and cash flow, creating opportunities for investment, debt reduction and business expansion. However, declining or highly uncertain prices can expose the company to revenue pressures and reduce its capacity to sustain high levels of expenditure. The company's financial resilience consequently depends on how effectively management anticipates and responds to changes in the crude oil market. The findings also support the relevance of Resource Dependence Theory to the study. The theory emphasises that organisations depend on resources from their external environment and that dependence can expose them to uncertainty. Seplat Energy's exposure to international crude oil prices illustrates this relationship because the economic value of its oil production is influenced by factors that are largely outside the direct control of management. The findings therefore suggest that reducing excessive dependence on crude oil revenue through gas development and other energy-related activities can strengthen the company's financial resilience. In relation to the hypothesis, the results provide sufficient evidence to reject the null hypothesis that crude oil price volatility has no significant effect on profitability and financial sustainability.

The significance value for profitability was 0.036, while that for financial sustainability was 0.018. Both values are below the 0.05 threshold. The study therefore concludes that crude oil price volatility has a significant effect on both profitability and financial sustainability within the model.

RECOMMENDATIONS

1. Seplat Energy should strengthen its crude oil-price risk-management strategy.

Since the first research question established that crude oil price volatility significantly affects profitability, Seplat Energy should strengthen its ability to anticipate and manage oil-price movements. Management should continuously monitor international oil-market developments and incorporate different oil-price scenarios into financial planning. Appropriate risk-management and hedging mechanisms should be considered where they are economically appropriate. This can help protect the company's revenue and profit margins during periods of significant adverse price movements.

2. Seplat Energy should strengthen revenue diversification.

The finding that crude oil price volatility significantly affects profitability suggests that excessive dependence on crude oil revenue exposes the company to external market risks. Seplat Energy should therefore continue expanding its gas business and other commercially viable energy activities. A broader revenue base can reduce the company's dependence on crude oil and provide alternative sources of income when oil prices decline.

3. Management should improve profitability through strict cost management.

Since profitability is affected by oil-price movements, the company should ensure that operating costs are efficiently controlled. During periods of high oil prices, management should avoid allowing unnecessary increases in operating expenditure to consume the additional revenue generated from higher prices. Maintaining efficient production costs will help the company preserve profit margins when oil prices fall.

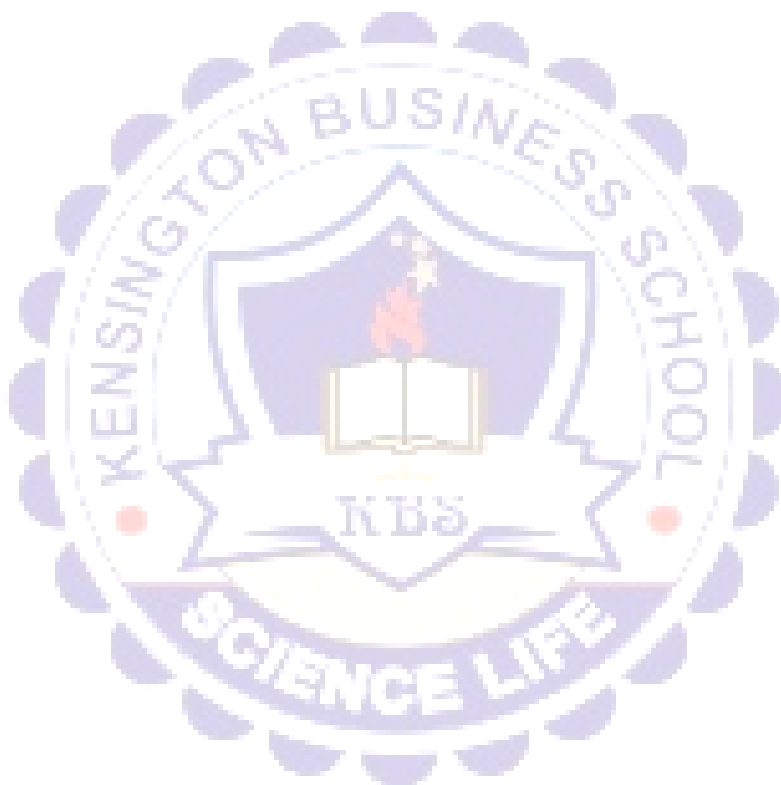
4. Seplat Energy should improve production efficiency.

The company should continue investing in technologies, infrastructure and management practices that improve production efficiency and reduce avoidable production losses. When oil prices decline, operational

efficiency becomes particularly important because the company receives less revenue per barrel. Efficient production can therefore help reduce the negative effect of low oil prices on profitability.

5. The company should strengthen cash-flow management to improve financial sustainability.

In line with the second research question, which established a significant effect of crude oil price volatility on financial sustainability, management should place greater emphasis on maintaining strong and predictable operating cash flows. The company should closely monitor cash inflows and outflows, maintain adequate liquidity and ensure that major financial commitments are consistent with expected future cash generation.



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