International Journal of Economics and Development Policy (IJEDP)
Vol. 7 No. 1, June, 2024
Print - ISSN: 2651-5644
Online - ISSN: 2811-2288

Subsidy Removal in Nigeria- Issues, Challenges and the way Forward

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Abstract

For now, one of the most taunting and complex socio-economic policy issues trending in Nigeria remains the issue of fuel subsidy removal. The decision by the government to rightly remove the subsidy on fuel ignited a series of arguments and protests nationwide. This paper examines the challenges and way forward of subsidy removal on fuel in Nigeria. The methodology employed a t-test which was applied to test the objective. The result obtained showed that fuel subsidy removal affects the cost of living, reduces the consumption pattern, saving and investment level of the people, and plagues the Nigerian economy and its citizens. As a result, it is recommended the widespread corruption in the system should be eradicated and dealt with. To diversify the economy from the oil sector and non-oil sector. Nigeria to build more refineries and the major refineries should work in full capacity.

Keywords: Nigeria; Fuel Subsidy; Issues; Challenges
JEL Classification: H23, H25, O13, Q48

Contribution to/Originality Knowledge

1.0 Introduction

Nigeria is a country blessed with abundant human and material resources that have not been properly managed otherwise Nigeria would have been a role model for other countries to copy in terms of managing human and material resources. The initial impression Nigeria had during the period of the oil in the 1970s was that the glory of the nation has come and as such the belief of the generality of Nigerians was that Nigerian problem is not money but how to spend it. Despite the enormous revenue Nigeria derives from oil, the benefit has not reflected in the lives of ordinary citizens in the country and this has not translated into an improved economy for the country. Rather, through inefficiencies, corruption, abuse of natural monopoly powers, mismanagement, smuggling, bureaucratic bottlenecks and excessive subsidy, the supply of refined crude oil in the country has virtually collapsed (Ibanga, 2011). Fuel subsidy reform is increasingly seen as an Opportunity for consolidating public finances and fostering sustainable economic development. One of the crucial issues of energy market in oil exporting developing countries is the high level of subsidies on petroleum products and low efficiency in energy use. Since the discovery of oil at Oloibiri in the present day Bayelsa State in the late 50s, oil has been exploited for sale in commercial quantity (Akahkpe, 2014). It is expected that the proceeds

from its sale would be used to better the lot of the people in terms of the provision of the basic necessities of life such as: housing, motorable roads, water, education, health care facilities etc. However, 54 years after political independence, these expectations have remained a mirage. Yet, the country has had to endure a debilitating cycle of political decay and renewal due to the rent seeking behaviour of the comprador capitalist who, it would seem, are more interested in political power for material gain than promoting good governance. In the quest for material gains, rules, regulations and laws are breached as politics takes a winner takes all pattern. The immediate consequences of these actions are; flawed economic system, social dislocation and political upheaval. These developments alienate the people from their government creating in the process, legitimacy crisis. In the absence of political legitimacy, government resorts to the use of force as recently experienced during the anti-subsidy removal campaign by Organized Labour and Civil Society Coalition in 2012. It appears all boils down to leadership deficit in the country. There is lack of a critical mass of men and women of integrity willing to harness and unleash the various resources in the country for the common good. The debate on oil subsidy in Nigeria has been an age long issue. The crisis that the oil subsidy removal elicits has polarized the Nigerian society. While one school of thought believes oil subsidy exists, the other is of the opinion there is nothing like oil subsidy. However, this is not our concern here as it constitutes another research topic. The paper therefore seeks to examine the nature and politics of oil subsidy in Nigeria with the aim of identifying the forces behind subsidy removal; to examine how the resources of the country can be used to the benefit of all; to identify the challenges militating against the pursuit of this goal and the ways of resolving them.

The remaining part of the paper is organized as follows; section 2 reviews relevant literature related to fuel subsidy, section 3 discusses the methodology employed in the study, section 4 presents the data utilize in the study and discusses the study's findings, while section 5 provides conclusion and policy recommendations.

2.0 Literature Review

2.1 Stylized Facts and Empirical Review

Nigeria, is the largest oil producer in Africa and the sixth largest producer in OPEC with an average of 2.6 million barrels per day (bpd) (2006). Nigeria's economy is heavily dependent on the oil sector, which account for nearly 80% of government revenues and over 90% of total foreign exchange earnings. Estimates of the total crude oil reserves vary, but are generally accepted to be about 36 billion barrels, although new offshore discoveries are likely to push this figure to about 40 billion barrels. (Research Department of ICML).

Mason, et al. (2006) examined the effects of the removal of petroleum subsidy on poverty in Nigeria. Employing a computable general equilibrium micro-simulation analysis to assess the impacts on poverty, the study concluded that subsidy removal without spending of the associated savings, would increase the national poverty level and that the government's fiscal policy stance following subsidy removal is important in determining the poverty effects. Victor (2009) gives an account of the reasons fossil fuel (petrol) subsidies have arisen and, once having arisen, are so difficult to remove. He points out that political economy analysis often begins with the assumption that the government acts with the goal of staying in power. Policies

that provide subsidies channel resources to organized interest groups that can affect government survival, for example by voting. In addition to "populist" subsidies that are aimed at voting consumers, there is also the "populist paradox" where the largest subsidies (cheapest fuels) are often provided by governments that do not face popular referenda. Kilishi (2012) used positive economic analysis to investigate the implications of subsidy and its removal on the consumers, the fuel market, and government spending. He found out that paying subsidies on imports was the original error committed by the government. He therefore concluded that subsidy removal without liberalization of the downstream oil sector would not solve the problem of supply shortage but rather inflict hardship in terms of higher prices on the consumers. The World Bank and IEA in Okwanya, Ogbu and Prstine (2015) described subsidy as any policy by the government that is aimed at reducing the price of a commodity or service consumed by citizens relative to what the price would have been in the absence of such policy. Fuel subsidy can be properly defined as government effort in paying for the difference between the pump price of fuel at the petrol station and the actual cost of importation of the product. So by paying the difference, the government enables fuel to be sold at a lower price so as to help ease the burden of its people especially lower income group, Fuel subsidy is a grant of financial aid from the government used to maintain the low price of petroleum products (Civic Keypoint, 2023).

According to Garba (2023), the historical antecedent of subsidy removal on petrol in Nigeria is marked by a series of policy shifts, attempts, and controversies. He asserts that the Nigerian government has implemented and reversed subsidy removal multiple times over the years. For instance, in the year 1988, the government introduced a subsidy on petroleum products to stabilise fuel prices and make them affordable for the general population. This was in response to protests against price increases.

According to Kadiri and Lawal (2016) defined subsidy as a reduction in the market price of goods and services by the government such that individuals whose purchasing power are not able to acquire such goods and services are able to pay for them. Subsidy occurs when the government helps the consumers to pay a price which is below the market price for consumer goods (Kadiri & Lawal, 2016; Agu; Ekwutosi & Augustine, 2018). According to Agu, Ekwutosi and Augustine (2018), it is a kind of market manipulation whereby prices of consumer goods are fixed by the government and the difference between the actual market price and the fixed price is paid by the government to the retailer. To Onyeizugbe and Onwuka (2012), subsidies are government measures that keep prices below market prices for consumers or above market prices for producers; these could be in the form of grants, tax reductions and exemptions or price controls. Thus, subsidies are government policies aimed at making consumer goods and services available and accessible to the poor in the society. It is also aimed at encouraging the participation of the poor in economic activities especially in developing countries (Okwanya, Ogbu & Pristine, 2015). Unfortunately, subsidy is never an efficient policy measure despite its good intensions as it could lead to an inefficient resource allocation especially if the price is fixed below the marginal cost of production (Agu; Ekwutosi and Augustine, 2018). Deregulation on the other hand is putting an end to government monopoly. It is opening up of a particular sector of the economy for private sector participation.

2.2 Theoretical Framework

This paper is hinged on the crowding out theory, resource recourse theory, supply and demand theory, fiscal policy and crowding out theory, and structural transformation theory. The crowding out theory suggests that when government expenditures increase, particularly in response to the removal of subsidies, it can lead to a reduction in private sector spending and investment. In the context of fuel subsidy removal in Nigeria, the government might redirect the funds saved from subsidies to other sectors such as healthcare, education, and infrastructure. While these investments can have positive long-term effects on economic growth, the immediate increase in government spending could compete for resources with private sector investment, potentially crowding out private initiatives and dampening economic growth (Friedman, 1956). This theory underscores the importance of effective resource allocation by the government and the need to balance public and private sector interests to ensure sustained economic growth. The resource curse theory posits that countries heavily dependent on a single natural resource, such as oil, can face negative economic consequences due to factors like volatile commodity prices, corruption, and a lack of economic diversification (Auty, 1993). In Nigeria's case, the removal of fuel subsidies could be viewed as an attempt to reduce dependence on oil revenue. By reallocating funds to non-oil sectors, the government aims to diversify the economy and mitigate the adverse effects of oil price fluctuations.

However, if the transition away from oil is not managed effectively, it could lead to challenges in absorbing the displaced labor force, low productivity in new sectors, and difficulties in attracting investment. Thus, while fuel subsidy removal aligns with the goal of economic diversification, its success hinges on comprehensive strategies that ensure sustainable growth in non-oil sectors. The supply and demand theory suggests that the removal of fuel subsidies can lead to an increase in fuel prices due to reduced supply (as subsidies are removed) and unchanged or even increased demand. This price increase can have a cascading effect on the cost of production and transportation, leading to higher prices for goods and services across the economy. As a result, consumer purchasing power may decrease, potentially leading to reduced aggregate demand and economic growth (Mankiw, 2014). According to the fiscal policy and crowding-out theory, the removal of fuel subsidies can free up government resources. While this could potentially allow for increased public investments in sectors like infrastructure and education, if not managed properly, it might also lead to increased government borrowing from the private sector. This could crowd out private investment, potentially limiting economic growth (Barro, 1990). The structural transformation theory posits that removing fuel subsidies can be a part of broader structural reforms aimed at diversifying the economy away from dependency on oil. By reallocating resources from subsidies to strategic sectors like agriculture, manufacturing, and technology, Nigeria can stimulate growth in non-oil sectors, reducing vulnerability to oil price fluctuations (Rodrik, 2013).

2.3 Conceptualizations of Subsidy and Deregulation

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3.0 Methodology

3.1 Source of Data

Data for this work mainly came from primary sources. The primary data was obtained through the use of questionnaire and interviews to elicit information from respondents. Secondary information was also used in this study. Such information was sought through conference papers, international journals etc.

3.2 Study area

The study area is located between latitude 11° 45’ and 9° 30’ North and longitude 11° 55’ and 12° 36’ East, covering about 2,366 km^2. Damaturu metropolis is a twin city consisting of

Damaturu town which form the capital of Yobe State in 19776 and 1991 it became capital of Yobe state created on 27th of August, 1991 out of former Borno State (Wikipedia, 2016).

The urban nature of Damaturu district of the study area being the seat of Yobe State Government where all the Ministries, Boards and Parastatals are found resulted in the stimulation of commercial activities. Also Ngoru, Potiskum and Gaidam are part of the Study area. Trading in various items such as manufactured goods; food, cash crops and agricultural products are taking place. Apart from that, many financial institutions such as Banks and Insurance houses are found. Also there are some appreciable numbers of both small and medium scale manufacturing industries in the study area

3.3 Data collection

This study was based on field survey. Therefore, data was generated from the sample of population from the study area. Accordingly, 200 copies of questionnaire were administered in Damaturu, Ngoru, Potiskum, and Gaidam, but only 181 copies were returned. The sample technique that was adopted is the non-probability sampling method using availability sampling technique. This is more convenient because it provides better opportunity for the researcher to administer the questionnaires directly and individually to the respondents available within the study area

3.4 Data Analysis

In analysing the data collected from the selected sample, the researcher used table, percentage distribution method and descriptive analysis to test questionnaires and present the collected data. An orderly presentation of information gathered is to indicate the relationship between variables is done by the use of tables which are appropriate for easy presentation of data and comparison of two or more variables as well as for easy interpretation or analysis of data. T-test was used as a statistical tool to assist the researcher in evaluating the probability of obtaining differences between the actual (observed) frequencies and the expected frequencies. Finally, T-test was use as a basis for testing the null hypothesis against the alternative hypothesis.

3.5 Results and Discussions

This study utilized primary data to investigate the impact of fuel removal on the average Nigerians. The demographic composition of the respondents in this study reflects a distinct pattern, shedding light on the characteristics of the sample population. In terms of gender distribution, the sample leans heavily towards male respondents, comprising 74% of the total, while females constitute the remaining 26%. This gender imbalance suggests a predominant participation of males in the study. Regarding age distribution, a significant majority, accounting for 69.1% of respondents, fall within the age range of 31-50 years, indicating a substantial representation of middle-aged individuals. Moreover, 19.3% of respondents are aged between 18-30 years, with only 11.6% being above 50 years old. Marital status reveals that a considerable portion of respondents are married, encompassing 74.6% of the sample,

followed by single individuals constituting 21%. Conversely, divorced, separated, and widowed respondents collectively represent a smaller proportion of the sample.

Table 1: Background Information of the Respondents

Sex	**Frequency**	**Percentage**
Male	134	74
Female	47	26
Age Range		
18 – 30	35	19.3
31 – 50	125	69.1
above 50	21	11.6
Marital Status		
Single	31	62
Married	13	26
Divorced	2	4
Separated	2	4
Widowed	2	4
Education		
Primary School	1	.6
Secondary School	13	7.2
OND/NCE	9	5.0
HND/B.SC	65	35.9
Post–Graduate	92	50.8
Nationality		
Nigerian	176	97.2
Non-Nigerian	4	2.2
Employment		
Trader	7	3.9
Business	46	25.4
Artisan	3	1.7
Student	14	7.7
Civil Servant	110	60.8
Marital Status		
Single	38	21.0
Married	135	74.6
Divorcee	3	1.7
Widow	3	1.7

Source: SPSS Output.

In terms of educational attainment, the majority of respondents have achieved post-graduate education, accounting for 50.8% of the sample. This is closely followed by respondents with HND/B.Sc. degrees, comprising 35.9%, indicating a significant representation of individuals with undergraduate qualifications. Notably, only a minor segment of respondents has education levels below tertiary education. Nationality data indicate that the overwhelming majority,

97.2% of respondents, are Nigerian, with a negligible 2.2% being non-Nigerian. This underscores the predominantly Nigerian composition of the sample. Employment status highlights a notable presence of civil servants, constituting the most common employment category at 60.8%, indicative of a significant segment of individuals employed in the public sector. Business owners also represent a considerable proportion, accounting for 25.4% of the sample, followed by students at 7.7%. Other employment categories such as traders, artisans, and students are less represented in the sample.

In summary, the sample primarily comprises middle-aged, married Nigerian individuals, with a significant proportion having attained post-graduate education and being employed as civil servants. These demographic characteristics are crucial considerations when analyzing the respondents' perspectives on subsidy removal in Nigeria, as they may influence their attitudes, beliefs, and preferences regarding economic policies.

3.5.1 Reliability Test

Reliability testing is paramount in qualitative research as it ensures the consistency and dependability of data interpretation, thus enhancing the credibility and validity of findings. As stated by Bazeley (2023), reliability in qualitative research "refers to the stability of the findings over time and over conditions", underscoring its crucial role in ensuring the trustworthiness of qualitative analysis. Without reliability testing, qualitative researchers risk subjectivity and inconsistency in data interpretation, potentially leading to unreliable conclusions and diminished research integrity. By employing reliability tests such as inter-coder agreement, test-retest reliability, and internal consistency measures like Cronbach's Alpha, researchers can assess the consistency and repeatability of their qualitative analysis methods, thereby bolstering the rigor and robustness of their research findings. Therefore, reliability testing serves as an essential quality control mechanism in qualitative research, enabling researchers to produce credible and trustworthy insights that contribute meaningfully to the body of knowledge in their respective fields.

Table 2: Reliability Test Result

Case Processing Summary			
	N	%	
Cases	Valid	172	95.0
	Excluded	9	5.0
	Total	181	100.0
Reliability Statistics			
Cronbach's Alpha	N of Items		
.682	15		

Source: SPSS Output

The "Case Processing Summary" provides information about the number and percentage of cases that were included or excluded from the analysis, while the "Reliability Statistics" presents the Cronbach's Alpha coefficient, which is a measure of internal consistency

reliability, along with the number of items used in the analysis. Out of a total of 181 cases, 172 cases (95.0%) were considered valid and included in the analysis. 9 cases (5.0%) were excluded from the analysis, possibly due to missing or incomplete data. List-wise deletion based on all variables in the procedure was used, indicating that cases with missing data on any variable included in the analysis were excluded. The high percentage of valid cases suggests that the dataset is relatively complete, with a small proportion of cases being excluded due to missing data. However, listwise deletion may lead to potential bias if the excluded cases differ systematically from the included cases.

The Cronbach's Alpha coefficient of 0.682 indicates moderate internal consistency reliability among the items included in the analysis. Generally, a Cronbach's Alpha value above 0.7 is considered acceptable for research purposes, suggesting that the items in the analysis are reasonably consistent in measuring the underlying construct. However, the reliability could be further improved. While the dataset has a relatively high percentage of valid cases, there is room for improvement in terms of data completeness and internal consistency reliability. However, despite these limitations, the dataset can still provide valuable insights into the topic of subsidy removal in Nigeria, through applying the appropriate analytical techniques and potential biases are taken into account.

4.0 Results Discussion

To assess the impact of fuel subsidy removal on the poor house, questions regarding increase in the household expenditure due to rise in the prices of goods and services and its effect on their savings and investment were asked, the result is presented in Table 4.3. Based on the provided one-sample test results of the household response, fuel subsidy removal has caused general price increases on goods and services.

Table 3 One-Sample Test

	t	df	Sig. (2-tailed)
Impact of fuel subsidy removal on expenditure of goods and services	52.270	179	.000
Impact of fuel subsidy removal on saving and investment levels	41.797	180	.000

Source: SPSS Output

The obtained t-value is 52.270 with 179 degrees of freedom, and the significance level is .000 ($p < .001$). This indicates an extremely significant result, suggesting that there is a significant increase in prices of goods and services following the removal of fuel subsidies. Since the t-value is positive and highly significant, it supports the conclusion that fuel subsidy removal has indeed caused general price increases. Similarly, the result shows that household saving and investment levels have significantly reduced. The obtained t-value is 41.797 with 180 degrees of freedom, and the significance level is .000 ($p < .001$). Similar to the first statement, this result is extremely significant, indicating a significant reduction in saving and investment

levels following the removal of fuel subsidies. Again, the positive and highly significant t-value supports the conclusion that fuel subsidy removal has led to a reduction in saving and investment levels.

H_0: Fuel Subsidy Removal Does Not Affects the Poor Household in Nigeria

In light of these findings, it can be inferred that the removal of fuel subsidies in Nigeria has had a significant impact on economic variables such as prices of goods and services, as well as saving and investment levels. These effects are likely to affect households across different income groups, including poor households. Therefore, the hypothesis that "fuel subsidy removal does not affect the poor households in Nigeria" is contradicted by the significant changes observed in both general prices and saving/investment levels, suggesting that poor households are indeed affected by the subsidy removal. The table you provided shows the results of one-sample t-tests for two different hypotheses; the impact of fuel subsidy removal on expenditure of goods and services and the impact of fuel subsidy removal on saving and investment levels. In both cases, the p-value (Sig. 2-tailed) is .000, which is less than the commonly used significance level of .05. This means that we reject the null hypothesis for both tests, indicating that the fuel subsidy removal has a significant impact on both the expenditure of goods and services and on saving and investment levels.

4.1 Examining the Effects of Fuel Subsidy on the Average Cost of Living

To examine the impact that fuel subsidy removal has on the average Nigerian Household through its effect on increased cost of living, the researcher analyzes the following questions using One-Sample t-Test (Table 4.4). Based on the provided one-sample test results, the cost of living has risen as a result of the removal of fuel subsidies. The obtained t-value is 51.021 with 180 degrees of freedom, and the significance level is .000 ($p < .001$). This indicates an extremely significant result, suggesting that there is a significant increase in the cost of living following the removal of fuel subsidies.

Table 4. One-Sample Test

	t	df	Sig. (2-tailed)
Impact of fuel subsidy removal on cost of living	51.021	180	.000
Impact of fuel subsidy removal on consumption pattern	41.797	180	.000

Source: SPSS Output

Since the t-value is positive and highly significant, it supports the conclusion that fuel subsidy removal has indeed caused a rise in the cost of living. Furthermore, the increase in fuel prices has reduced your consumption pattern. The obtained t-value is 31.498 with 179 degrees of freedom, and the significance level is .000 ($p < .001$). Similar to the first statement, this result is extremely significant, indicating a significant reduction in consumption patterns following the increase in fuel price. Again, the positive and highly significant t-value supports the

conclusion that the increase in fuel price, associated with subsidy removal, has led to a reduction in consumption patterns.

H_0: fuel subsidy removal does not affect the average cost of living

In light of these findings, it can be inferred that the removal of fuel subsidies in Nigeria has had a significant impact on the average cost of living, as well as on consumption patterns. These effects are likely to influence households across different income groups, including poor households, by increasing the expenses required for maintaining their standard of living and by altering their consumption behavior. Therefore, the hypothesis that "fuel subsidy removal does not have an effect on the average cost of living" is contradicted by the significant changes observed in both the cost of living and consumption patterns, suggesting that fuel subsidy removal does indeed affect the average cost of living in Nigeria.

The result of the one-sample test shows that the mean difference between the test value (1.5) and the sample means is statistically significant, as the p-values are less than 0.05 for both statements. This means that we can reject the null hypothesis that there is no difference between the test value and the sample means. The hypothesis “fuel subsidy removal does not affect the average cost of living” is equivalent to saying that the test value is equal to the sample means. However, the one-sample test results contradict this hypothesis, as they indicate that the test value is significantly different from the sample means. Therefore, we can reject this hypothesis and conclude that fuel subsidy removal does have an effect on the average cost of living.

4.2 Discussion of Findings

The first results from the one-sample t-tests indicate that the removal of fuel subsidies in Nigeria has a significant impact on two areas (expenditure of goods and services and on saving and investment levels). The test shows a significant increase in the expenditure on goods and services following the removal of fuel subsidies. This could be due to the increased cost of fuel, which directly or indirectly affects the prices of goods and services (Inegbedion et al., 2020; Yakubu et al., 2023). For instance, transportation costs would rise, leading to an increase in the price of goods transported. Additionally, the test also shows a significant reduction in saving and investment levels following the removal of fuel subsidies. This could be because households are spending more on goods and services, leaving less income available for saving and investment (Coibio et al., 2021).

These findings suggest that the removal of fuel subsidies has had a significant economic impact. It is also important to note that while the statistical tests show a significant impact, the practical significance of these findings would depend on the magnitude of the changes in expenditure and saving/investment levels. For example, a small increase in expenditure or a small decrease in savings might not have a meaningful impact on households’ economic well-being (Bufe et al., 2021). Conversely, large changes could have substantial effects. Further analysis would be needed to determine the practical significance of these findings.

Similarly, the observed effects from the second hypothesis testing align with previous studies that have highlighted the ramifications of fuel subsidy removal on households and the broader

economy. For instance, research by Nwokeji and Oboh (2019) emphasizes the regressive nature of fuel subsidy removal, disproportionately affecting low-income households by increasing their expenditure on transportation and basic goods. Similarly, findings from Akpan (2017) suggest that the removal of fuel subsidies can exacerbate poverty levels and inequality, particularly in developing countries like Nigeria where fuel plays a crucial role in transportation and energy sectors. Moreover, the discussion on consumption patterns resonates with insights from studies such as Oluwatobi and Ogunrinola (2017), which underscore the importance of fuel subsidies in sustaining consumption levels, especially among vulnerable households. The reduction in consumption patterns following subsidy removal reflects the adverse consequences on household welfare and economic activity, echoing concerns raised by scholars like Adekunle and Taiwo (2018) regarding the social implications of fuel subsidy reforms.

In conclusion, the findings underscore the significant impact of fuel subsidy removal on the average cost of living and consumption patterns in Nigeria. These effects are likely to reverberate across households, particularly affecting vulnerable groups, and have broader implications for poverty alleviation efforts and economic stability. Policymakers need to consider these findings in designing appropriate measures to mitigate the adverse effects of subsidy reforms and ensure inclusive growth and development. Finally, these results highlight the complex trade-offs involved in policy decisions like the removal of fuel subsidies. While such policies can have economic benefits (such as reducing government expenditure and encouraging energy efficiency), they can also have significant impacts on households, particularly those with lower incomes. Policymakers need to carefully consider these trade-offs when making decisions. They might also need to implement complementary policies to mitigate any negative impacts, particularly on poorer households. For example, they could provide targeted assistance to those households most affected by the removal of subsidies.

4. 3 Conclusion

This spite the negative effect on removal of subsidy on fuel in Nigeria, the removal outweighs its effects on the poor masses. Therefore, subsidy on fuel should be removed in Nigeria to free fund for government development. However, it is meaningless to remove fuel subsidy in Nigeria without improving or rehabilitating the country's Refinery. In conclusion, it shows that there is an impact relationship of subsidy removal on the price of goods and services which affects the standard of living of individuals.

5.0 Recommendations

Recommendations Sequel to the above conclusion, the following are suggested for the realization of the growth prospect inherent in the removal of fuel subsidy:

i. **Credible and consistent policy:** The issues of policy inconsistency and credibility problems that have eaten into the fabric of our political system must be addressed for subsidy saving funds to have an impact on economic growth. Succeeding governments must see the need to be consistent in the implementation of a particular policy until every gain derivable from such policies has been exhausted and another credible policy

formulated. If this is not done, the apparent inefficiencies of government policy will continue.

ii. **Diversify the economy Government:** should embrace agricultural production of our food stables instead of importing them and focusing on oil revenue only. Agricultural, manufacturing, and industrial sectors should be more funded and equipped to ensure good outputs and contributions likewise Government should create a good atmosphere to encourage youth to go into agriculture and farming. Our agriculture would benefit to a great extent from modern farming practices and biotechnological advancements. We can grow enough grass for our cattle and develop the agricultural sector in general, with agricultural reformation. Basic level farm tools remain the major impediments to our agricultural production potential. Cocoa as one of the leading non-oil foreign exchange earners, followed by rubber; testifies to the prospects of the agricultural sector.

iii. **Transparency and accountability:** Until the virtue of transparency and accountability is imbibed, there cannot be economic growth and development in any nation of the world. The government (all arms) of Nigeria should strive to ensure that they are answerable and transparent in the administration of the savings from fuel subsidy removal. This will go a long way in bridging the gap of the limited trust between the people and the government and this will also erase negative opinions of the people concerning government policies.

iv. **Transportation:** The government needs to improve the transportation system in the country this is because it has a direct impact on the masses.

v. **Rehabilitations of Refineries:** The government needs to rehabilitate the existing refineries in the country to full capacity.

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