

FUEL SUBSIDY REMOVAL AND THE ECONOMY OF SOUTH LOCAL GOVERNMENT IN NIGERIA

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Abstract: This study examined the relationship between fuel subsidy removal and the economy of Nigeria with a special reference to IKA South Local Government Area. The study adopted survey research design and was anchored on Neo-liberalism theory as its theoretical framework. Data were sourced from 390 respondents through a self-administered questionnaire, and the sample size was determined using the Taro Yamane method. Data collected was analyzed using percentages and frequency and Pearson's correlation coefficient with the aid of Statistical Package of Social Science (SPSS) version 23.0. Findings revealed that, fuel subsidy removal has a significant relationship with increase in the price of food stuffs, also, fuel subsidy removal has a significant relationship with the rate of poverty and fuel subsidy removal has a significant relationship with the rate of unemployment in IKA South Local Government Area. The study concluded that the President Bola Tinubu's administration removed fuel subsidy in Nigeria when refineries are non-functional thereby necessitating the continuous importation of refined petroleum. Fuel importation strains the local currency while the subsidy primarily favored the cabals and a leeway for arbitrage and the illicit transportation of petrol to neighboring countries and therefore recommended among others that the government should provide palliatives to Nigerians to mitigate the effects of the fuel subsidy removal. Also, the government should make sure that the new minimum wage is enforced in all sectors, including the private sector. If this is done, it will moderate the impacts of the fuel subsidy removal on the general populace.

Keywords: Fuel subsidy removal, price of food stuffs, poverty, unemployment

Introduction

Many debates have surrounded government retention to lapse fuel subsidy policy over the years. Because of the anticipated social and economic ramifications, attempts by the previous regimes to reverse retention of this policy have significantly sparked debate. Although the idea of subsidies is a noble one, there have been serious allegations of corruption and poor management regarding their implementation and management under the previous regimes (Ogwu, 2023). As soon as Senator Ahmed Bola Tinubu, the newly elected president, announced the planned subsidy withdrawal on May 29, 2023, prices for goods and the costs of services, including transportation, rose sharply. Motorcyclists also changed their fare. Artisans including welders, aluminum window filters and tailors, and market men and women who cannot afford power generators raised their charges for services rendered to their customers. Nigerian youths engaged in riding of commercial motorcycles and tricycles, and into street hustling just to keep body and soul together are now finding it very difficult to cope following the recent development. According to Adeyeye (2023), the new administration's intention to eliminate the current fuel subsidy, which it views as a burden on governments, has a negative impact and, if not properly managed, its economic benefit could be meaningless. The fact remains that the new administration has to act in this way because a significant amount of money was spent on subsidizing imported fuel into the nation. Additionally, there is the issue of inflation and

rapidly rising prices for goods and services. What President Tinubu administration intends to achieve with the withdrawal of subsidy policy might contradict peace and security because previous administrations that tried it were confronted with serious resistance from the Nigerian Labour Congress (NLC). As Omoniji (2012) puts it, “while young Nigerians always react to the withdrawal of fuel subsidy through protest on the major highways, government workers, especially members of NLC engaged the government on negotiation, and whenever this fails, members always embark on strike action to express their dissatisfactions. Such developments in the past made the central government to lose millions of dollars translating into billions of naira”. One of the major problems associated with government withdrawal of its policy on fuel subsidy is mass poverty as prices of goods and services increased while public workers incomes remained constant. In some occasions, it resulted to violent demonstration that distorted peace and tranquility. In 2012, motorists who were returning to their homes after the New Year and Christmas celebrations were hit by sudden hikes on petrol prices. Prices rose dramatically ranging between N140 and N150 per liter and between N170 to N200 on black market (Omoniji, 2012).

Emeh (2012) averred that when former President Jonathan announced fuel subsidy withdrawal on January 1, 2012 Nigerians, especially members of the NLC reacted negatively. The strike action that followed this announcement made the government to lose a huge amount of money close to N100billion naira. It also generated inflation which brought about high cost of fuel and other items in market places. In addition, poverty rate increased because prices of goods and services increased while the incomes of people remained constant. Not minding the usual reactions that follow pronouncements of withdrawal of fuel subsidy, President Ahmed Bola Tinubu on the day of his inauguration announced his administration’s intension to push aside subsidy policy formulated and implemented by the previous administrations. As it has always been the case, the announcement was greeted with reactions from the masses. There was also a skyrocket price of goods and services that do not only traumatized Nigerians of all categories but threatened the existence of the poor masses. Despite the fact that the implementation of the policy has always been disgracefully marred by corruption, the reversion of the policy by the present government is greeted with opposition from the citizens. It is on this background that this study examined the effect of fuel subsidy removal on the economy of Nigeria with a special reference to Ika South Local Government Area.

Literature Review

Subsidy and Fuel Subsidy Removal

Subsidy can be seen as a grant of financial aid from the government used to maintain the prices of a particular item at a certain level. To subsidize is to sell a product below the cost of production, fuel subsidy, therefore, means to sell petrol below the cost of importation. 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. Subsidy exists when government helps the consumers of a particular product to pay a price lower than the prevailing market price of that commodity (Kadir & Lawal, 2016). Some authors like Shagali and Yusuf (2022) see it as a kind of market

manipulation whereby government fixes the price of the commodity below its actual market price and pay the difference to the retailers. In this case, the government fixes the pump price of fuel below the actual market price and the difference is paid to the importers and marketers by the government. Governmental policy on subsidies can take many different forms, including financial, labor, export, consumption, housing, and others. Scholars who have researched the term's relevance to policy have offered a number of definitions. According to Gordon and Suzanne (2023), a subsidy is "a benefit provided by a government to an individual, business, or institution and is typically offered to relieve burdens deemed to be in the general interest of the public." In accordance with economic theory, it is used to counteract market imperfections and increase economic efficiency (Gordon & Suzanne, 2023). It also promotes social good. World Trade Organization (2016) conceived it as a widely used economics term that is sometimes used as antonym to tax. Also, it described the term as, "a transfer of money by a government to an entity, including the private sector to subsidize the market price of a certain good or service". For Corporate Finance Institute (CFI, 2019), it is "an incentive set aside by the government to an individual or a business in the form of cash, grants, or tax breaks to improve the supply of goods and services". With it in place, consumers are able to access cheaper products and commodities. Its types include production subsidy, consumption subsidy, export subsidy and employment subsidy (CFI, 2019). The Economic Times (2023) defined it as "a transfer of money from the government of a state to an entity, usually a firm or company with the aim of subsidizing the market price of goods and services". In most cases, subsidy leads to a fall in price of the subsidized product and bolster the welfare of the citizens. Its types include petroleum subsidy, food subsidy, indirect rate subsidy, etc (The Economic Times, 2023). Civic Keypoint (2023) defined the term as, "any grant of financial aid from the government used to maintain the prices of some items at certain level". As it applies to fuel subsidy, it is government effort in paying a portion of the pump price of fuel in petrol stations. Paying the difference in price means the government makes it to be sold at a lower price to ease the burden of the citizens especially that of the lower income class (Civic Keypoint, 2023). Anyanruoh (2023) conceived it, "as the transfer of economic resources by government to consumers or producers of goods or suppliers of services". The resultant incentive that follows retention of subsidy policy cannot be overemphasized. It increases production and consumption of a commodity over what it would otherwise have been without subsidy. Ogunleye-Bello (2023) described subsidy removal as government withdrawal of its provision of financial support to reduce the cost of fuel for users of fuel in a country. He argued that, "when it is removed by government, it causes increase in fuel price which mean that people have to pay more to buy petrol. Subsidy therefore is a grant by the government to private persons or companies to subsidize their services or products to the final users or consumers. It is money given as part payment for the price of a commodity or service to be rendered to the public. It reduces the cost of producing food or a product to help to keep the price low for consumers. Fuel subsidy policy withdrawal by government in Nigeria has always been associated with protest. Despite this challenge, withdrawal of the policy helps government to save money and allocate resources realized to other sectors of the economy such as education and health. Therefore, Removal of fuel subsidy simply means the government not paying for the difference between pump price and the actual cost of importing fuel anymore. It technically means full deregulation of the downstream sector to pave way for vibrant competition by other interested investors. With

the removal of fuel subsidy, fuel will have to be sold in accordance with the prevailing market price based on the actual cost of importation.

Fuel Subsidy Removal and the Economy of Nigeria

As every action has propelling forces behind, so there are reasons behind every proactive government policy. Hence, the policy of fuel subsidy removal has an underneath reason as the government sees it as a stimulator of economic growth and development. For instance, the huge fund which is hitherto used to pay for subsidy will become available to the government for the development of the much-needed infrastructure in the country, especially in the healthcare, education and transport sectors among others. If this is done, every citizen of the country will benefit. Furthermore, deregulation of the downstream oil sector will attract private sector investments, more especially foreign direct investments, to the sector. Before now investors are not attracted to the sector as they fear they may not be able to recoup their investment at government-controlled prices. Foreign direct investment in the sector will create employment opportunities for the large number of unemployed Nigerians and also generate revenue to the government in the form of taxation and levies (Yunusa, Yakubu, Emeje, Ibrahim, Stephen & Egbunu, 2023). Availability of foreign exchange with the Central Bank of Nigeria will be another result of fuel subsidy removal. A steady flow of foreign exchange to the Central bank will lead to a single foreign exchange rate regime in the country thereby stabilizing the foreign exchange market and eliminating the black market. Foreign exchange will become easily accessible for importation of goods and machineries (Umeji & Eleanyi, 2021). Removal of fuel subsidy was also seen to help removing the distortions in the market. It will bring an end to smuggling of petroleum products to neighboring countries. Due to higher price of petroleum products in the neighboring countries, fuel that are meant for domestic use in Nigeria are smuggled across border to be sold at higher prices causing scarcity in the country. The erstwhile Governor of Central Bank of Nigeria and the former Emir of Kano. Sanusi Lamido Sanusi in listing the benefits of fuel subsidy removal (Onwuamaeze & Ekeghe, 2020) said that Nigeria is the only oil exporting country that does not ripe the benefits of crude oil price rise in the international market because it fixes the price of refined products that it does not produce. So, whatever it gains in high price of crude oil losses to high price of refined products that it imports. This is so because as price of crude oil goes up the price of refined products will go up also. Therefore, removal of fuel subsidy will eliminate such revenue losses to the Nigerian government. Moreover, Civic Keypoint, (2023) highlighted the following as benefits why fuel subsidy in Nigeria has to be removed: Firstly, fuel subsidy removal will ensure private sector participation in the importation of petroleum products which will free up the market, empower many Nigerians and also allow the government to focus on other key sectors of the economy. Secondly, it will ensure the ready availability of petrol at all times for all Nigerians as Nigeria will be saturated with petrol and there will be no diversion by marketers, and thereby curbing the greed for higher profits and sabotage by a few players in the oil industry which will positively affect the economy. Thirdly, fuel subsidy removal will also ensure competition in the industry and market forces will drive down the price of petrol in the long run as witnessed in the telecoms sector for the benefit of Nigerians and thereby permanently banish queues from petrol stations across the nation and free the country from the endless pains and sufferings that come with fuel scarcity, which makes Nigerians line up in petrol stations for a day.

However, this fuel subsidy policy however, has bred several unintended consequences and malpractices such as the smuggling of petroleum products out of the country, and claims by the federal government that fuel subsidy policy has made them unable to tackle problems of our collective infrastructure such as roads, power, agriculture, fixing the refineries etc. The cost of fuel subsidy has continued to grow exponentially. This is partly due to the rising cost of fuel-which meant that the government had to spend even more to keep its domestic price low- and also due to Nigeria's increasing population-which resulted in increased fuel consumption; together these pressures make the cost of the fuel subsidy unsustainable. By 2011, the subsidy accounted for 30 percent of the Nigerian government expenditure, which was about 4 percent of GDP and 118 percent of the capital budget. Further, in the era of Goodluck Ebele Jonathan's reign, the subsidy re-investment programme (Sure-P) was initiated to channel the money realized from the partial removal of subsidy to ameliorate the plight of the generality of Nigerians. The committee set-up was to oversee and ensure the effective and timely implementation of projects to be funded with the savings accrued by the federal government from subsidy removal. SURE-P is basically designed to mitigate the effects of the removal of fuel subsidy and accelerate economic growth through investment in critically needed infrastructures. For them, savings from the subsidy removal under SURE-P are to be invested across major sectors of the economy such as Power, Health, Niger Delta, Youths etc. According to Sure-P, the federal government handles 41% of the intervention, 54% goes to the states and local governments while the remaining 5% goes to ecology (Omafume, 2014).

Empirical Review

Atoyebi, Kadiri, Adekuyo, Ogundeji and Ademola (2012) carried out research on the impact of fuel subsidy removal on agricultural sector output. The study employed spearman's rank correlation and observed the existence of positive correlation between fuel subsidy removal and prices of agricultural output. This then implies that the removal of fuel subsidy would increase the budgetary allocation to the agricultural sector thereby increasing agricultural products. The researchers thereby recommended that a cushioned effect should be introduced by the government through the use of savings from the fuel subsidy removal on agricultural sector and to fast track the maintenance of the nation's refineries. Opeyemi, Kadiri, Adekuyo, Ogundeji and Ademola (2012) carried out research on the existence of a long run effect of fuel subsidy reform on environmental quality in Nigeria for the period of 1970 – 2012 using the Johansen and the Granger Two step co-integration procedure techniques. The study developed a three-case scenario including (i) a case of subsidy payment (ii) a case of effective subsidy and (iii) a case of no subsidy payment. The estimation result showed that the first and the last case scenario do not significantly influence environmental quality. Eyiuche (2012) conducted a study on the socio-economic implications of fuel subsidy removal in Nigeria in relation to other oil producing countries in order to estimate the impact of fuel subsidy removal on the Nigerian citizens. From the research, he observed that at 65 naira per liter of fuel, Nigerians were buying fuel at the costliest price among oil producing nations in the world while in some other countries fuel is almost free. Balouga (2012) assessed the political economy of the subsidy removal and found out that the fuel subsidies have not being significantly felt by an average Nigerian whom the subsidy was actually initiated for. Adagunodo (2013) in his study examined the removal of fuel subsidies in Nigeria as an economic necessity and a

political dilemma. In his research, he concluded that if implemented correctly, the subsidy funds could lead to major development gains for the country. It will also create the space for Nigeria to finally develop refinery capacity and consequently increase its potential revenue from the oil sector and create jobs. Uzonwanne, Ezenekwe and Iregbenu (2016) examined fuel subsidy removal and the Nigerian economy. The main objective of their study was to assess the contributions of the fuel subsidy in the Nigerian economy, that is, the study examined the problems, the prospects and a way forward for the sustainable economic growth in Nigeria. The study used Rosenstein-Rodan's Thesis or Theory of the "Big Push" to drive home the message. The major sources of data used in the study were primary and secondary data. The primary data were collected through the use of questionnaire and the secondary data were also collected. Descriptive statistics was used to analyze the data. The study found that fuel subsidy has not resulted in a significant improvement in the quality of the life for the majority of Nigerians. The study therefore recommended that government should invest heavily on infrastructures and human capital instead of focusing on just removing fuel subsidy.

Theoretical Framework

The theory adopted for this study is the Neo-liberalism theory. Neo-liberalism is a contemporary form of economic liberalism that emphasizes the efficiency of private enterprise, liberalized trade and relatively open markets to promote globalization. Neoliberals seek to maximize the role of the private sector in prioritizing the world the economy (Cohen, 2007). Neo-liberalism seeks to transfer control of the economy from public to the private sector under the belief that it will produce a more efficient government and improve the economic health of the nation (Prasad, 2006). Neo-liberalism became prominent following the establishment of the Mont Peleri Society in 1947 which its founding members include Friedrich Hark, Milton Friedman, Karl Popper, George Stigler, Ludwig Von Mises and James Buchanan (Andrew, 2009; Stanford Encyclopedia of Philosophy, 2021). The neo-liberal thought is a term used to signify the late 20th century political reappearance of the 19th century ideas associated with free-market capitalism after it fall into decline following the outbreak of World War II. It is also associated with the policies of economic liberalization, including privatization, deregulation, globalization, free trade, monetarism, austerity, and reductions in government spending in attempt to increase private sector involvement in economic drive of a nation (Bloom, 2017). Manning (2022) described the term as, "a policy that encompasses both politics and economics, and favors private enterprise and seeks to transfer the control of economic factors from the government to the private sector". "In essence, any liberal policy that targets efficient functioning or free market capitalism or that focused on limited government spending, regulation and ownership of major means of production and distribution is known as neo-liberal thought" (Manning, 2022; Okolie & Edo, 2023). However, the main points of neo-liberalism include: first, the rule of the market which liberate "free" enterprise or private enterprise from any bonds imposed by the government (the state) no matter how much social damage this causes. It reduced wages by de-unionizing workers and eliminating worker's right that had been won over many years of struggle. No more price control, all in all, total freedom of movement for capital, goods and services. An unregulated market is the best way to increase economic growth which will ultimately benefit everyone. Secondly, is the cutting off of public expenditure for social services such as education and

health care, reducing the safety-net for the poor and even maintenance of roads, bridges, water supply. In reducing government's role, neo-liberalists do not oppose to government's subsidies and tax benefits for business but are concerned about the operations. Third is privatization which is the sale of state-owned enterprise, goods and services to private investors. This includes banks, key industries, rail roads, toll highways, electricity, schools, hospitals and even fresh water. Although, this is usually done in the name of efficiency which is often needed in the state to ensure citizens enjoy these services (Prasad, 2006). Privatization has the effect of concentration of wealth even more in a few hands and making the public pay even more for its needs as evident in the privatization policy of government in Nigeria. Nigerians pay more during privatization regime of government, especially in the electric power sector. The Neo-liberalism theory is one of the major views that justify the relationship between fuel subsidy removal and economic development. The Neo-liberalism theory is sacrosanct to this study because it focused on the issue at hand. This becomes one of the reasons subsidy regimes in the country is questioned by the present administration. Deregulation which reduces government's regulation of everything that could diminish profits, including protecting the environment and safety on the job raised serious concern to the public. This is what it means that having fuel subsidy regime in place will benefits both private sector and the populace. It however lowers prices of fuel and raise greater supply of the product. On the contrary, a relapse of the policy by the present government may have its challenges as well as its benefits which include the development of other sectors such education, health care and other infrastructure development with funds to be realized from withdrawal of subsidy.

Research Methods

This study adopted the cross-sectional survey research design. The goal was to ensure that data elicited from the field in the course of this study was primary and relevant as possible for analysis in order to understand and solve the problems at hand (McNabb, 2012). The total projected population of this study was 229000 persons living in Ika South Local Government Area (National Population Commission, 2022). The determination of the sample size of 390 was attained using the sample size determination of Yamane's formula:

$$n = \frac{N}{1 + Ne^2}$$

Where N = Population size, n = Sample sized, e = Sampling error

Given the population size and with a sampling error of 5 percent, the required sample size is computed as:

$$n = \frac{N}{1 + N(e)^2} = \frac{229000}{1 + 229000(0.05)^2} = 389.78 \text{ Approximately}$$

Consequently, a sample size of three hundred and ninety (390) was used. The purposive sampling method was employed to specifically select respondents from Ika South Local Government Area of Delta State. This involves the addition of respondents with specific characteristics relevant to the objectives of this study. This sampling method gives equal chance for each member of the population to be selected (Obasi, 2000). A pilot study was carried out to determine the reliability and test for internal consistency of the research instrument. The reliability test serves to determine the level of reliability of a questionnaire

on the consistency of the respondents' answers (Sentoso & Putra, 2021). The results yielded coefficients ranging from 0.745 to 0.823, which satisfied the general recommended level of 0.70 for the research indicators (Cronbach, 1951). Hence, researcher satisfied both the reliability and validity of the scale. Face validity was employed for this study to ensure the validity of the instruments, by subjecting it to independent assessors for cross-examination. This was the main research supervisor of this work, who is a scholar in this field from the Department of Public Administration, for his thorough and in- depth scrutiny, before it will be applied. This is to ensure that this work attains a high level of accuracy and reliability in all of its content. Data collected from the questionnaire was collated, coded and imputed into the Statistical Package of Social Science (SPSS version 23.0, 2020) for data analysis. Percentages and frequency were used to analyze the demographic data content of respondents which include gender, job status, age, marital status, educational qualification and working experience, while Pearson’s coefficient of correlation was employed to test the hypotheses at a 0.05 level of significance. These are found suitable for the nature of the study of this work.

Research Results

The bivariate analysis involves the test for the bivariate relationship between the dependent and independent variables. The decision rule which applies for all bivariate test outcomes is stated as follows: where $P < 0.05$, reject hypothesis on the basis or evidence of insignificant relationship and where $P > 0.05$, accept hypothesis on the basis of significant relationship between the variables.

Hypothesis One: H1: There is no significant relationship between fuel subsidy removal and increase in the price of food stuffs in Ika South Local Government Area.

Table 1: Correlation of Fuel Subsidy Removal and Increase in the price of food stuffs

	Variables		Fuel Subsidy Removal	Increase in the price of food stuffs
Spearman's rho	Fuel Subsidy Removal	Correlation Coefficient Sig. (2-tailed) N	1 328	.785** .000 328
	Increase in the price of food stuffs	Correlation Coefficient Sig. (2-tailed) N	.785** .000 328	1 328

** . Correlation is significant at the 0.05 level (2-tailed)

Source: SPSS Output, 2024

Hypothesis Two: H2: There is not significant relationship between fuel subsidy removal and the rate of poverty in Ika South Local Government Area.

Table 2: Correlation of Fuel Subsidy Removal and the Rate of Poverty

	Variables		Fuel Subsidy Removal	the Rate of Poverty
Spearman's rho	Fuel Subsidy Removal	Correlation Coefficient Sig. (2-tailed)	1	.823** .000

		N	328	328
	the Rate of Poverty	Correlation Coefficient	.823**	1
		Sig. (2-tailed)	.000	
		N	328	328

** . Correlation is significant at the 0.05 level (2-tailed)

Source: SPSS Output, 2024

Hypothesis Three: H3: There is not significant relationship between fuel subsidy removal and the rate of unemployment in Ika South Local Government Area.

Table 3: Correlation of Fuel Subsidy Removal and the Rate of Unemployment

	Variables		Fuel Subsidy Removal	the Rate of Unemployment
Spearman's rho	Fuel Subsidy Removal	Correlation Coefficient	1	.849**
		Sig. (2-tailed)		.000
		N	328	328
	the Rate of Unemployment	Correlation Coefficient	.849**	1
		Sig. (2-tailed)	.000	
		N	328	328

** . Correlation is significant at the 0.05 level (2-tailed)

Source: SPSS Output, 2024

Discussion of Findings

Table 1, showed the relationship between fuel subsidy removal and increase in the price of food stuffs in Ika South Local Government Area using Spearman’s correlation coefficients techniques. From the analysis, the result showed that fuel subsidy removal has a very strong positive and significant relationship with increase in the price of food stuffs at (rho = 0.785, N= 328 and P<0.05%). This result suggests that fuel subsidy removal can lead to increase in the price of food stuffs. The null hypothesis was therefore rejected and restated that there is a strong positive and significant relationship between fuel subsidy removal and increase in the price of food stuffs in Ika South Local Government Area.

Table 2, showed the relationship between fuel subsidy removal and the rate of poverty in Ika South Local Government Are using Spearman’s correlation coefficients techniques. From the analysis, the result showed that fuel subsidy removal has a very strong positive and significant relationship with increase in the rate of poverty at (rho = 0. 823, N= 328 and P<0.05%). This result suggests that fuel subsidy removal can lead to increase in the rate of poverty. The null hypothesis was therefore rejected and restated that there is a strong positive and significant relationship between fuel subsidy removal and the rate of poverty in Ika South Local Government Area.

Table 3, showed the relationship between fuel subsidy removal and the rate of unemployment in Ika South Local Government Are using Spearman’s correlation coefficients techniques. From the analysis, the result showed that fuel subsidy removal has a very strong positive and significant relationship with increase in the rate of unemployment at (rho = 0. 849, N= 328 and P<0.05%). This result suggests that fuel subsidy removal can lead to increase in the rate of unemployment. The null hypothesis was therefore rejected and restated that there is a strong positive and significant relationship

between fuel subsidy removal and the rate of unemployment in Ika South Local Government Area.

The study examined the relationship between fuel subsidy removal and the economy of Nigeria with a special reference to Ika South Local Government Area and there were three hypotheses formulated for the study. With respect to the first hypothesis of this study, the study found that fuel subsidy removal had strong positive and significant relationship with increase in the price of food stuffs. This finding validates the work of Nkwagu (2012) on the influence of fuel subsidy removal on the Nigerian economy. The study revealed that fuel subsidy removal had a significant positive effect on the Nigerian economy. The finding corroborates with the views of Ogunleye-Bello (2023) who affirm that fuel subsidy removal increases the price of food stuffs in the market. Thus, the fuel subsidy removal results in relatively increase in the price of food stuffs. Therefore, the impact of fuel subsidy removal to the economy of Nigeria cannot be overemphasized. With respect to the second hypothesis, study found that fuel subsidy removal had a very strong positive and significant relationship with increase in the rate of poverty. This result was supported by the findings of Nkwagu (2012) which showed that fuel subsidy removal increases the rate of poverty in the country. Ogunleye-Bello (2023) collaborating with this finding opined that fuel subsidy removal increases the rate of poverty in Nigeria. This finding also agreed with Akanbi (2023) study that revealed the impact of fuel subsidy removal on the rate of poverty in Nigeria. In support of this, Eyiuche (2012) in his study on “the socio-economic implication of the fuel subsidy removal” posits that fuel subsidy removal has a negative effect on the rate of poverty in Nigeria. Lastly, the result of hypothesis three showed that there is a significant relationship between fuel subsidy removal and the rate of unemployment in Ika South Local Government Area. This was supported by Eyiuche (2012) who posits that fuel subsidy removal has very strong negative impact on the rate of unemployment in Nigeria. Akanbi (2023) argue that Nigerian government should wake up to its socio-economic responsibilities. Nigeria is ravaged by underdevelopment, unemployment, poverty, lack of basic social amenities, increased cost of living, and the incapacity of government to deal effectively with non-state actors/groups as a result of the effects of fuel subsidy removal. These have instigated grievances against the government and created breeding ground for terrorism, armed robbery and kidnapping, etc.

Conclusion and Recommendations

Attempts to remove petrol subsidy by past administrations triggered protests and stiff resistance. After swearing-in on May 29, the President Bola Tinubu’s administration removed fuel subsidy in Nigeria. Nigeria’s refineries are non-functional thereby necessitating the continuous importation of refined petroleum. Fuel importation strains the local currency while the subsidy primarily favored the cabals and a leeway for arbitrage and the illicit transportation of petrol to neighboring countries. The majority of Nigerians have embraced the government's most recent policy because they do not directly benefit from it. With this development, the government's plan to invest money obtained from the relapse subsidy policy in other economic sectors in order for the general public to benefit is supported by the majority of Nigerians. Not because people don't understand the withdrawal policy's significance or how it will help them in the long run, but rather because there is a great deal of mistrust in the government, is why there are protests against it. One obvious problem is the administration of President Tinubu's policies being implemented at

the wrong time. The people are now asking the government to provide palliatives or measures that would help cushion the effects in the short run, such as an increase in the cost of goods, school fees, transportation, spare parts, and house rents, as well as an increase in health risk, since the relapse fuel subsidy policy has become permanent. However, if the government manages the removal of the fuel subsidy properly, Nigerians will benefit. However, there is no doubt that the policy will play a significant role in sustaining and reviving other areas of the national economy. The challenges that the nation's fuel subsidy removal policy must address must be addressed with the following recommendations below. As a result of the findings and conclusion reached in this study, the following recommendations were made to ensure economic viability and improvement in living condition in Nigeria:

The government should provide palliatives to Nigerians to mitigate the effects of the fuel subsidy removal. The government should also make sure that the new minimum wage is enforced in all sectors, including the private sector. If this is done, it will moderate the impacts of the fuel subsidy removal on the general populace. The federal government of Nigeria should focus on and adequately develop other sectors, such as the educational, agricultural, communication, transportation, tourism, health, and provision of social amenities and infrastructure, which will significantly increase employment opportunities and the standard of living of the populace. This will significantly alleviate the suffering in Nigeria and put the issue of subsidy removal to rest. Government to embark on massive infrastructural investments in major sectors like health, education, power and works with funds saved from fuel subsidy removal. This will create employment for Nigerians and also, market for these sectors, which will eventually, serve as a big push for the ailing Nigerian economy and the government should allow free market operations.

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