Bima Journal – Bussiness Management and Accounting
Available online at : http://journal.pdmbengkulu.org/index.php/bima
DOI: https://doi.org/10.37638/bima.6.2.1603-1615

Effect of Fuel Subsidy Removal on the Nigerian Economy: Implications for Households in Nigeria

Grace A ADDAH[1*)]

[1)] Department of Business Administration and Management Studies, Delta State Polytechnic, Ogwashi-Uku, Nigeria

***Corespondent Author:** gracearuoriwooghene@gmail.com

How to Cite :
Addah, G. A., (2025). *Effect of Fuel Subsidy Removal on the Nigerian Economy: Implications for Households in Nigeria. Bima Journal : Business, Management and Accounting Journal,* 6 (2). 1603-1615. DOI: https://doi.org/10.37638/bima. 6.2. 1603–1615

ARTICLE HISTORY
Received [24 Oct 2025]
Revised [30 November 2025]
Accepted [31 December 2025]

KEYWORDS
Fuel Subsidy Removal; Nigeria Economy; Standard of Living; Development; Infrastructure

ABSTRACT
Purpose: This study examined the impact of fuel subsidy removal on the Nigerian economy, with particular emphasis on food prices, standard of living, and poverty levels among citizens. ***Methodology:*** A survey research design was adopted. Primary data were collected through structured questionnaires and interviews administered to selected respondents. Descriptive analytical techniques were used to assess the socio-economic effects of subsidy removal. ***Results:*** The findings revealed that fuel subsidy removal has significantly increased food prices, leading to higher costs of basic commodities. It also negatively affected the standard of living, as households faced increased financial pressure and declining purchasing power. ***Findings:*** The study established that subsidy removal ha contributed to rising poverty levels by increasing the overall cost of living. Sectors such as transportation and food distribution were most affected, resulting in a general rise in the prices of goods and services. ***Novelty:*** The study provides household-level empirical evidence that highlights citizens' lived socio-economic experiences following subsidy removal. ***Originality*:** It contributes to existing literature by directly linking subsidy removal to food inflation, reduced living standards, and poverty escalation using primary data. ***Conclusion:*** Fuel subsidy removal has had adverse socio-economic consequences for Nigerian households. ***Type of Paper:*** *Research article.*

INTRODUCTION

The discovery of crude oil in commercial quantities at Oloibiri in the Niger Delta in 1956 shifted Nigeria's focus almost entirely to oil production and export. Once an agrarian nation, Nigeria quickly redirected its economic priorities toward petroleum exploitation. This brought in unprecedented foreign exchange earnings and reserves, but at the same time led to the neglect of other critical sectors such as agriculture and manufacturing. Consequently, the Nigerian economy became heavily dependent on oil revenues for its interactions with the global economy.

According to IISD (2012), subsidies are a key policy issue for many developing and emerging economies. While they are intended to ease economic pressure on citizens, they impose huge financial costs on governments, and efforts to remove them often meet resistance. In Nigeria, a subsidy was introduced in 1992 when the country's refineries collapsed due to poor maintenance. It was meant to temporarily stabilize fuel prices so that citizens could buy petroleum products at affordable rates until the refineries were fixed. However, the police were hijacked. As Bnovative (2014; Etinagbedia & Nwokolobia, 2024) noted, oil import and marketing licenses were issued to close associates of the Ibrahim Babangida administration, mostly from Northern Nigeria. This group, often referred to as the "oil cabal," exploited subsidy payments to amass enormous profits while deliberately frustrating refinery rehabilitation. A measure designed to last just six months has, however, persisted for more than four decades. Todaro et al. (2009) describe a subsidy as government assistance to an industry or business to prevent its decline, essentially covering part of the production cost so consumers can purchase goods at lower prices. Similarly, UNEP (2002) defines subsidy as government action that reduces consumer prices or increases producer prices. In Nigeria's context, fuel subsidy means selling petroleum products below importation cost.

Since the 1980s, Nigeria's petroleum sector has faced persistent challenges, with subsidies becoming a major feature of the energy industry from the mid-1980s. Their cost rose sharply from $1 billion in the 1980s to about $6 billion by 2011 (Adebiyi, 2011). Because the Nigerian economy depends almost entirely on petroleum, especially Premium Motor Spirit (PMS), as both a production and consumption driver, alternatives to petroleum energy remain underdeveloped. Attempts at economic diversification have yielded few results. Consequently, subsidy removal has serious national implications, as it increases production costs, leading to general price hikes across goods and services.

Oil and gas wealth remain the backbone of Nigeria's economy, accounting for about 99 percent of government revenue and 38.8 percent of GDP (National Budget, 2010). Yet, despite this enormous income, successive governments have failed to use oil resources effectively to reduce poverty or deliver essential social and economic services to citizens (Ering & Akpan, 2012; Okolie & Etinagbedia, 2024). Economically, a subsidy means consumers are supported by the government to pay less than the actual market price for fuel. In practice, it is the difference between the true market price of petroleum products and the amount consumers pay at the pump. Beyond direct payments, subsidies can also take indirect forms, such as regulations or government funding that favor a particular fuel or energy source (Adebiyi, 2011).

Statement of the Problem

Fuel subsidies have been a common policy instrument employed by governments worldwide to lower the price of petroleum products, protect consumers from volatile international markets, and support household welfare. Globally, fossil fuel subsidies reached hundreds of billions of dollars annually, distorting energy prices, straining public finances, and encouraging inefficient energy consumption. Research across developing economies shows that while the removal of such subsidies can improve fiscal sustainability and reduce market distortions, the impact on household welfare is mixed, with potential short-term declines in real income and increases in living costs, particularly among vulnerable populations (Dennis, 2016).

According to Bazilian and Onyeji (2012), many developing countries have relied on fossil fuel subsidies for consumers as a strategy to achieve specific social, economic, and environmental goals. These include reducing energy poverty, promoting equity, boosting domestic resource supply, redistributing national wealth, addressing externalities, and stabilizing inflation. In line with this, Nigerian leaders introduced fuel subsidies in the 1980s, believing that citizens deserved to benefit from the nation's natural resources by accessing petroleum products at lower prices, while also pursuing broader socio-economic and environmental objectives.

Since the introduction of the policy, Nigerians have enjoyed subsidized fuel prices. However, from the outset, the government did not clearly define which categories of citizens were entitled to benefit. As a result, industries, multinationals, and foreign investors, who could afford market prices, also reaped the benefits. This led to a surge in consumption, making the subsidy increasingly difficult for the government to sustain. This aligns with the observation of Onyeizugbe and Onwuka (2012), who noted that successive Nigerian governments have often reduced subsidies, arguing that domestic fuel prices were artificially low compared to international benchmarks, and that subsidy removal was necessary to realign the economy.

Ultimately, this policy shift placed ordinary Nigerians in a challenging position, as the withdrawal of subsidies eroded a benefit they had depended on for decades. Against this backdrop, this study seeks to examine the impact of fuel subsidy removal on the Nigerian economy, with particular attention to household experiences. Therefore, the primary aim of this study was to analyze the impact of fuel subsidy removal on the Nigerian economy, with particular focus on household experiences in the South-South region. To achieve this, the study pursues the following specific objectives:

i. To investigate how subsidy removal influences the prices of food items.
ii. To assess the relationship between subsidy removal and the standard of living.
iii. To evaluate the extent to which subsidy removal contributes to rising poverty levels.

Conceptual Framework

The Concept of Subsidy

Subsidy is generally understood as financial support provided to certain goods or industries to keep prices low, sustain employment, and stimulate economic activities (Nkwagu, 2012). It may also be described as any government intervention that reduces the cost of energy production, increases the earnings of energy producers, or lowers the price paid by consumers (IEA, OECD, & World Bank, 2009, cited in GSI, 2011). Similarly, the Oxford Advanced Learner's Dictionary (2001) defines subsidy as money granted by a government or organization to reduce the cost of producing goods or services, thereby keeping prices affordable. In the same vein, the *Academic Dictionary of Economics* (2006) views a subsidy as a cash incentive provided by the government to an industry to reduce product prices and enhance competitiveness.

In Nigeria, citizens had benefited from fuel subsidies since the 1980s, but this policy was suspended by the administration of President Goodluck Ebele Jonathan on January 1, 2012. The government argued that sustaining subsidies was costing the nation trillions of naira annually and that reallocating these funds was essential for infrastructure development. This position was endorsed by the National Economic Council (NEC), chaired by Vice President Namadi Sambo, which included state governors, key ministers, and the Central Bank of Nigeria. The NEC maintained that subsidy removal was necessary to prevent the collapse of the economy (Oji & Eme, 2014).

Fuel subsidy essentially represents a form of price control, whereby the government sets a fixed pump price for consumers and compensates retailers for the gap between the actual market price and the regulated price per liter. This arrangement enabled millions of Nigerians to access petroleum products at cheaper rates (Iyobhebhe, 2012). According to Ezeagba (2005), subsidies exist when the government helps consumers pay less than the market price of a commodity. From the producers' perspective, a subsidy could mean government support to either restrict production or supplement producers' incomes when product prices fall below a sustainable level.

Factors to Consider Before Using a Subsidy or Principles of Subsidy

According to WSSCC/WHO (2005), as cited in Aleix and Keller (2014), the following principles guide the use of subsidies:

1. **Alignment with policy goals:** Subsidies must be clearly tied to well-defined policy objectives.

2. **Targeted benefits:** They should be directed toward the intended beneficiaries, with effective monitoring systems to ensure proper delivery.
3. **Financial sustainability:** The total costs, including both initial investments and long-term operational expenses, should be well understood, with reliable funding sources in place to keep the program sustainable.
4. **Integration of local needs:** Beneficiaries should be actively involved in the process to ensure the program reflects their needs and fosters a sense of ownership of the subsidized infrastructure.
5. **Transparency and accountability:** Since subsidies involve public resources, their implementation must be carried out clearly and transparently.

Categories of Subsidies

Louis (2012), as cited in Iheagwara, Nwiko, Otu, and Chikwe (2013), outlined various categories of subsidies. The first is direct financial transfers, which involve the government providing cash payments or grants directly to producers or consumers to reduce costs and encourage accessibility. The second is services and indirect financial transfers, where support is provided in the form of subsidized services, tax reliefs, or preferential credit schemes that indirectly lower production or consumption costs. Another category is interventions with varying short- and long-term effects, which refers to government policies or actions that may initially provide temporary relief but also have wider implications for economic growth, market stability, or consumer behavior over time. Finally, intervention is absent, where the government deliberately refrains from regulating or intervening in certain sectors, and this inaction itself may act as a form of implicit subsidy by allowing particular practices or market advantages to persist.

Negative Consequences of Fuel Removal

Abang (2012) highlighted several negative consequences of subsidy removal, which include higher production costs, increased transportation expenses, rising cost of living, greater costs in providing essential services, and a surge in corruption.

Effect of Subsidy Removal on Food Items: Fuel serves as the major driver of Nigeria's economy, and any increase in its price directly affects the cost of goods and services. Food commodities are particularly vulnerable to such changes. Oji and Eme (2014) observed that many traders returning to the market after festive breaks struggled to cope with the sharp rise in the cost of replenishing their stock. Inevitably, these additional costs were transferred to consumers, resulting in a noticeable rise in food prices.

Effect of Subsidy Removal on Standard of Living: Critics of subsidy removal argue that the policy reflects a disconnect between government leaders and the economic realities faced by ordinary Nigerians. For households with low or borderline incomes, the removal of the subsidy worsens living conditions, forcing them into deeper financial distress. Families are often compelled to make difficult choices, prioritizing transportation and fuel expenses over healthcare, education, food, and savings. This strain reduces overall quality of life until wages or other sources of income adjust to the new economic environment. Ayodele (2014) further notes that the unemployed and underemployed are especially vulnerable, with subsidy removal potentially increasing unemployment levels in the short to medium term.

Effect of Subsidy Removal on Poverty: Poverty is a relative condition, but it is commonly associated with lack of adequate food, poor clothing, and substandard housing (Ngozi, 2004, citing Kenneth Gailbraith). The removal of fuel subsidy exacerbates these conditions by inflating the cost of goods and services across the economy. From expensive transportation to higher prices for basic items such as food, seasoning, or even firewood, the burden falls most heavily on the poor. Consequently, subsidy removal has deepened economic hardship for the majority, particularly for

those living below the minimum wage or without employment. This has entrenched poverty and widened inequality, leaving the average Nigerian to bear the brunt of the policy.

Economic theory of subsidies

A subsidy on a good or service alters its price and, consequently, its level of consumption. In some cases, subsidies are introduced to address market failures. For example, when research and development generate positive externalities that extend beyond the immediate benefits to the innovators, private actors may underinvest in such activities. A subsidy can serve as an incentive to increase research output, thereby achieving a socially optimal level of production.

While subsidies can be appropriate and beneficial in certain circumstances, economists, along with this study, are more concerned with *inefficient subsidies*. These occur when the price of a good or service no longer reflects the true social cost of producing or consuming it (Fischer & Toman, 2000). In such cases, prices deviate from marginal cost, leading to misallocation of resources and inefficiency in the economy. Eliminating inefficient subsidies is, therefore, an important policy issue, as doing so can improve overall social welfare.

Even though subsidy programs are often introduced with good intentions, they rarely represent the most efficient policy option. McKenzie and Mintz (2011) argue that one major problem with subsidies is *waste*: they may fail to influence behavior as intended or end up supporting activities that would have occurred without the subsidy. Furthermore, subsidies can distort economic choices by channeling resources into subsidized areas at the expense of potentially more productive alternatives. As McKenzie and Mintz (2011) emphasize, this often results in investment decisions driven by the presence of subsidies rather than by sound economic rationale.

Empirical Review

Adewunmi, Remy and Iyewumi (2014) examined the implications of fuel subsidy removal on Nigeria's socio-economic development. Their study applied a price pass-through framework alongside the error correction model to analyze both the short- and long-term consequences of subsidy withdrawal, covering data from 1980 to 2012. To ensure data stability, they conducted unit root tests using the Augmented Dickey-Fuller and Phillips-Perron approaches. The findings revealed that subsidy removal had little to no immediate effect on the social welfare of Nigerians in the short run. However, in the long term, deregulation of the downstream petroleum sector was found to hold strong potential for advancing economic development. This outcome aligns with both theoretical arguments and empirical evidence suggesting that removing market distortions promotes economic growth. The researchers therefore recommended that the government should deliberately and transparently channel subsidy savings into strategic development projects to maximize the positive impacts of subsidy removal.

Similarly, Stephen (2015) investigated the broader effects of rising fuel prices on the Nigerian economy. Employing a survey research design, the study gathered data from a sample of 120 respondents drawn from civil servants, market men and women, and private sector employees directly involved with petrol and gas activities. The sample was distributed as follows: civil servants (18), market traders (55), and private sector staff (47). The research instrument was an eight-item structured questionnaire designed around a five-point Likert scale ranging from "Very Relevant" to "Very Irrelevant." Reliability testing produced a correlation coefficient of $r = 0.92$, indicating a high level of consistency. Hypotheses were tested using the Pearson Product Moment Correlation method. Results showed a significant relationship between increases in fuel prices and Nigeria's economic performance. Specifically, while fuel price hikes contributed to inflationary pressures and weakened purchasing power, they were also linked to certain aspects of economic growth. The findings further revealed a strong correlation between rising petroleum pump prices and challenges to food security. Consequently, the study recommended that the government should maintain subsidies in the short term while accelerating the construction of three proposed refineries. It

further advised that subsidy removal should be implemented only after these refineries become operational, alongside rehabilitation of existing refineries and investment in railway development to reduce overdependence on road transport. The study also encouraged private sector involvement in refinery construction, supported by clear government assurance on subsidy policies.

In another study, Sambe, Ahule, and Agba (2013) assessed the effect of fuel subsidy removal on food security in Nigeria, with a focus on food production, distribution, and accessibility. Adopting the classical political economy perspective, which argues that minimizing government control fosters maximum societal welfare through multiplier effects, the study found that while subsidy removal encouraged food production, it negatively affected food distribution due to higher transportation costs. Furthermore, economic access to food was constrained by rising prices of staple items. The authors concluded that subsidy removal undermined food security in Nigeria. They recommended the adoption of Marxist-oriented economic policies, which prioritize state regulation of key sectors, while abandoning subsidy removal policies to ensure food security and sustainable development.

Oji and Eme (2014) also examined the consequences of subsidy removal, focusing on its effect on the prices of food items in Nigeria. The debate over subsidy became a central national issue in January 2012, when the government increased the pump price of petrol from ₦65 to ₦140 per liter, arguing that the ₦1.3 trillion subsidy burden was unsustainable. This action triggered widespread protests across the country, compelling President Jonathan's administration to later reduce the pump price to ₦97. Despite these adjustments, questions remained regarding the transparency of the government's subsidy claims. Their study revealed that subsidy removal significantly increased the prices of food and other essential commodities across Nigerian cities. The paper concluded that Nigerians continue to grapple with escalating living costs without adequate government intervention to cushion the effects.

Hezekiah and Bilikisu (2014) investigated the effect of fuel subsidy removal on Nigeria's transportation sector. The issue has remained highly controversial due to its frequent occurrence and its wide-ranging economic implications. The study employed co-integration and error-correction models to analyze the relationship between subsidy removal and transport operations. Findings revealed that subsidies had a positive and significant impact on the transportation sector, suggesting that the withdrawal of gasoline subsidies leads to higher operational costs in the sector and consequently reduces the nation's Gross Domestic Product (GDP).

METHOD

The study employed a descriptive survey design. Data were collected from 305 valid responses out of 399 distributed questionnaires. The instrument's reliability was tested through the test–retest method, producing a correlation coefficient (r = 0.78). Data were analysed using descriptive statistics and simple linear regression at a 0.05 significance level. Ethical standards were adhered to, with all respondents providing informed consent and ensuring confidentiality.

RESULTS AND DISCUSSION

The data obtained from the field were presented and analyzed with descriptive statistics to provide answers for the research questions, while the corresponding hypotheses were tested with Simple linear regression at 0.05 alpha level. To determine the effect of subsidy removal on food items.

Table 1: Coded Responses on research affects subsidy removal on food items

s/no	Questionnaire items	S.Agree /Agree	Disagree /S.Disagree	Total
		Freq	Freq	
1	Purchasing of food items during removal of fuel subsidy was Difficult	300	5	**305**
2	inhabitants Asaba community were indebted because of the removal of fuel subsidy	297	8	**305**
3	Subsidy removal significantly	207	98	**305**
	TOTAL	**804**	**111**	**915**

Source: Field Survey,2025

Table 1 revealed that 804 respondents (88%) selected strongly agree/agree, while 111 respondents (12%) chose to disagree/strongly disagree. From the percentage analysis, it was therefore concluded that the removal of the subsidy has a significant negative impact on food items.

Hypothesis one

Ho: Subsidy removal does not have a significant negative effect on food items
Hi: Subsidy removal has a significant negative effect on food items

Table 2 Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the	Durbin-Watson
1	.847[a]	.718	.717	.55434	.111

Source: Data processed, 2025
a. Predictors: (Constant), subsidy removal b. Dependent Variable: Food items

Table 3 ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	236.904	1	236.904	770.943	.000[b]
	Residual	93.109	303	.307		
	Total	330.013	304			

Source: Data processed, 2025
a. Dependent Variable: Food items

b. Predictors: (Constant), subsidy removal

Table 4 Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	-.233	.069		-3.376	.001
1 subsidy removal	1.257	.045	.847	27.76	.000
R = 0.847					
R^2 = 0. 718					
F = 770.904					
T = 27.766					
DW = 0. 111					

Source: Data processed, 2025
a. Dependent Variable: Food items

Interpretation:

The regression sum of squares (236.904) is higher than the residual sum of squares (93.109), suggesting that a greater proportion of the variation in the dependent variable is accounted for by the model. The F-statistic significance value (0.000) is below the 0.05 threshold, confirming that the variation explained by the model is not a result of chance. The correlation coefficient (R = 0.847) demonstrates a strong negative relationship between subsidy removal and food items. Furthermore, the coefficient of determination (R^2 = 71.8%) reveals that approximately 71.8% of the variation in food items is explained by the model. The standard error of estimate is relatively low (0.55434), indicating good model fit. The Durbin-Watson statistic of 0.111, which is less than 2, shows that there is no problem of autocorrelation. The subsidy removal coefficient (0.847) further confirms a statistically significant negative effect on food item prices (t = 27.766). Consequently, the null hypothesis is rejected, while the alternative hypothesis is accepted. This establishes that subsidy removal exerts a significant adverse impact on food item prices.

Hypothesis Two

Ho: There is no significant negative relationship between subsidy removal on standard of livingHi: There is a significant negative relationship between subsidy removal on the standard of living

To ascertain the extent of the relationship between subsidy removal on standard of living

Table 5: Coded Responses on research affects subsidy removal on the standard of living

No	Questionnaire items	S.Agree /Agree Freq	Disagree /S.Disagree Freq	Total
1	The removal of subsidies leads to a decline in the overall quality of life.	286	19	**305**
2	Many households were compelled to Due to Subsidy removal has a significantly negative impact on food	207	98	**305**
3	The removal of subsidies leads to a decline in the overall quality of life.	287	18	**305**
	TOTAL	**780**	**135**	**915**

Source: Data processed, 2025

Table 5 reveals that 780 respondents (85%) selected *Strongly Agree/Agree*, while 135 respondents (15%) chose *Disagree/Strongly Disagree*. From the percentage analysis, it was concluded that subsidy removal has a significant negative effect on the standard of living.

Table 6 Descriptive Statistics

	Mean	Std. Deviation	N
subsidy removal	1.3934	.70893	305
Standard of living	1.5213	1.04836	305

Source: Data processed, 2025

Table 7 Correlations

	Subsidy removal	Standard of living
Pearson Correlation	816*	1

**. Correlation is significant at the 0.01 level (2-tailed)

Table 7 presents the descriptive statistics for subsidy removal and standard of living. The results show a mean response of 1.3934 with a standard deviation of 0.70893 for subsidy removal, and a mean response of 1.5213 with a standard deviation of 1.04836 for standard of living, based on 305 respondents. A close examination of the standard deviation values reveals that there is no substantial difference between them, indicating a relatively similar level of variability in the data points for both the dependent and independent variables. Table 7 provides the Pearson correlation coefficient between subsidy removal and standard of living. The correlation coefficient is 0.816, which is significant at the 0.05 level (2-tailed). This result demonstrates a strong and significant negative relationship between subsidy removal and standard of living. Since the calculated correlation coefficient (r = 0.816) is greater than the critical table value of 0.195 at 503 degrees of

freedom (df = n – 2) for a two-tailed test, the null hypothesis is rejected. Therefore, it is concluded that subsidy removal has a significant negative impact on the standard of living (r = 0.816, p < 0.05).

Hypothesis Three

Ho: Subsidy removal does not negatively promote poverty
Hi: Subsidy removal negatively promotes poverty
To examine the extent at which subsidy removal promotes poverty

Table 8: Coded Responses on how subsidy removal promotes poverty

s/no	Questionnaire items	S.Agree /Agree Freq	Disagree /S.Disagree Freq	Total
1	The removal of fuel subsidy has caused many families to experience financial insufficiency. As a result, households are now struggling to meet basic needs, with some families experiencing a decline in their ability to afford adequate clothing and other essential items.	292	13	**305**
2 3	The removal of fuel subsidy has caused many families to experience financial insufficiency. As a result, households are now struggling to meet basic needs, with some families experiencing a decline in their ability to afford adequate clothing and other essential items.	290	15	**305**
	The removal of fuel subsidy has caused many families to experience financial insufficiency. As a result, households are now struggling to meet basic needs, with some families experiencing a decline in their ability to afford adequate clothing and other essential items.	295	10	**305**
	TOTAL	**877**	**38**	**915**

Source: field survey, 2025

Table 8 reveals that 877 respondents, representing 96%, indicated Strongly Agree/Agree, while only 38 respondents, representing 4%, indicated Disagree/Strongly Disagree. From the percentage analysis, it is therefore concluded that subsidy removal contributes significantly to the rise of poverty.

Table 9 Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.758[a]	.574	.573	.67965	.180

a. Predictors: (Constant), subsidy removal b. Dependent Variable: Poverty

Table10 ANOVA[a]

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	188.639	1	188.639	408.373	.000[b]
1. Residual	139.964	303	.462		
Total	328.603	304			

a. Dependent Variable: Poverty
b. Predictors: (Constant), subsidy removal

Table 11 Coefficients[a]

Model	Unstandardized Coefficients		Standardized	t	Sig.
	B	Std. Error	Beta		
(Constant) 1					
subsidy removal	-.014	.090		-.154	.878
	1.099	.054	.758	20.208	.000

R = 0.758
R^2 = 0. 574
F = 408.373
T = 20.208
DW = 0. 180

Interpretation:

The regression analysis shows that the regression sum of squares (188.639) is higher than the residual sum of squares (139.964), suggesting that a larger portion of the variation in the dependent variable is accounted for by the model. The significance level of the F-statistic (0.000) is less than 0.05, confirming that the variation explained by the model is not due to random chance. The correlation coefficient (R = 0.758) reveals a negative relationship between subsidy removal and poverty. Furthermore, the coefficient of determination (R^2 = 57.4%) indicates that 57.4% of the variation in poverty can be explained by the model. The standard error of estimate is relatively low at 0.67965, while the Durbin-Watson statistic of 0.180 (less than 2) confirms the absence of autocorrelation. The subsidy removal coefficient of 0.758 further demonstrates a statistically significant negative effect on poverty (t = 20.208). Based on these results, the null hypothesis is rejected, and the alternative hypothesis is accepted. This implies that subsidy removal significantly contributes to increased poverty levels.

CONCLUSION

The study concludes that fuel subsidy removal in Nigeria has had significant adverse socio-economic implications, particularly through rising food prices, reduced living standards, and increased poverty. Although the policy was intended to enhance fiscal efficiency, its short-term impacts have intensified household hardship. The government should strengthen regulatory frameworks, ensure transparent use of subsidy savings, and invest in infrastructure to cushion the burden on vulnerable populations. Future studies should explore the moderating influence of income level, education, or regional disparities on subsidy-related outcomes. Thus, this study recommends the following:

The government must establish a strong and efficient regulatory framework to safeguard citizens from possible exploitation by petroleum marketers. In this regard, the Petroleum Product Pricing Regulatory Agency (PPPRA) should be urgently restructured and empowered to ensure that ordinary Nigerians are adequately protected. Such reforms will also guarantee that resources intended to cushion the impact of subsidy removal on vulnerable groups are properly managed and directed.

Furthermore, the federal government should ensure that the subsidy reinvestment programmes truly reach the intended households. To achieve this, a dedicated monitoring and evaluation committee should be constituted with the mandate to track, assess, and report on the effectiveness and outcomes of these programmes. This will promote transparency, accountability, and efficiency in the distribution of benefits.

In addition, government should prioritize the development of critical infrastructure such as roads, bridges, drainage systems, electricity supply, potable water projects, and warehousing facilities. These infrastructural investments will not only reduce the cost burden on business owners but also enhance economic productivity while improving the living standards of citizens.

REFERENCES

Abang, I. S. (2012). *Enlightenment to the impact of fuel subsidy removal in Nigeria*. Ibadan: Author Book

Adebiyi, O. (2011). *Fuel subsidy: The true story*. 234Next. http://234next.com

Adenikinju, A. F. (1998). Energy supply institutions and the state in an oil-exporting country. In *Proceedings of the International Association for Energy Economics Conference* (pp. 121–128). International Association for Energy Economics.

Adewunmi, M. R., Emy, H., & Iyewumi, T. (2014). The impact of fuel subsidy removal on Nigeria. *Journal of Economics, Commerce and Management, 2*(12), 1–14.

Aleix, F. D., & Keller, S. (2014). *Subsidies*. World Bank.

Ayodele, O. (2014). The effect of fuel subsidy on Nigerian civil servants: A Christian ethical point of view. *International Journal of Humanities and Cultural Studies, 1*(3), 1–12.

Bazilian, F. A., & Onyeji, A. G. (2012). Oil subsidy removal and a way forward. *Vanguard Newspaper*. http://www.vanguardngr.com

Bnovative. (2014). *The history of fuel subsidy in Nigeria*. Nairaland. https://www.nairaland.com

Delta State Wikideepa. (2016). *Asaba population estimation*. https://en.m.wikipedia.org/wiki/Delta-state

Dennis, A. (2016). Household welfare implications of fossil fuel subsidy reforms in developing countries. *Energy Policy*, 96, *597-606. https://doi.org/10.1016/j.enpol.2016.06.039*

Etinagbedia, G., & Nwokolobia, A. C. (2024). The joint state–local government account and the crisis of governance in Nigeria. *Social Sciences, Humanities and Education Journal, 5*(1), 154–162.

Ezeaagba, C. E. (2005). *Deregulation of the Nigerian economy: Implications for the downstream petroleum industry*.

Fischer, C., & Toman, M. (2000). *Environmentally and economically damaging subsidies: Concepts and illustrations* (Climate Change Issues Brief No. 14). Resources for the Future.

Global Study Initiative. (2011). *People's guideline to energy subsidies*. International Institute for Sustainable Development.

Iheagwara, A. I., Nwiko, L. A., Out, O. A., & Chikwe, G. C. (2013). Non-parametric analysis of the effects of fuel subsidy removal on small business performance in South-East Nigeria. *International Journal of Business & Management, 8*(10), 45–58.

Ismail, O. S., Hezekiah, T., & Bilikisu, M. Y. (2014). The impact of gasoline subsidy removal on the transportation sector in Nigeria. *American Journal of Energy Research, 2*(3), 60–66.

Iyobhebhe, J. (2012). Removal of fuel subsidy in Nigeria: Issues and challenges. *Nigeriapolitico*. http://www.nigeriapolitico.com

Kalra, K. B. (2006). *Academic dictionary of economics* (1st ed.). Academic Publishers.

McKenzie, K. J., & Mintz, J. M. (2011). *The myths and facts of fossil-fuel subsidies: A critique of existing studies* (SPP Research Papers No. 14, Vol. 4). University of Calgary.

Nkwagu, O. W. (2012). *Fuel subsidy removal and the Nigerian economy* (Unpublished manuscript).

Obasi, N. K. (2003). Foreign participation in the Nigerian oil and gas industry. In *Management of education in Nigeria* (pp. 151–158). NAEAP Publications.

Oji, R. O., & Eme, O. (2014). The effects of subsidy removal on food items in Nigeria. *Journal of Social Sciences, 6*(1), 1–10.

Okolie, U. C., & Etinagbedia, G. (2024). The importance of ethical leadership and employee performance in modern organizations. *Pinisi Business Administration Review, 6*(1), 17–30.

Onyeizugbe, C. Z., & Onwuka, E. M. (2012). Fuel subsidy removal as a necessity for promoting business development in Nigeria. *VSRD International Journal of Business & Management Research, 2*(9), 1–13.

Oxford University Press. (2001). *Oxford advanced learner's dictionary* (6th ed.). Oxford University Press.

Sambe, N., Ahule, B. G., & Agba, S. A. (2013). Effects of fuel subsidy removal on food security in Nigeria. *Journal of Social Sciences and Public Affairs, 3*(2), 1–10.

Stephen, I. (2015). Impact of fuel price increase on the Nigerian economy. *Mediterranean Journal of Social Sciences, 6*(2), 123–131.

Todaro, M. P., & Smith, S. C. (2009). *Economic development* (10th ed.). Addison-Wesley.

United Nations Environment Programme. (2003). *Energy subsidies: Lessons learned in assessing their impact and designing policy reforms*. UNEP.

World Bank. (2009). Distributional incidence of subsidies. In *World development report* (pp. 114–119). World Bank.

World Health Organization, & Water Supply and Sanitation Collaborative Council. (2005). *Sanitation and hygiene promotion: Programming guidance*. WHO.