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Fuel Subsidy Removal and Socio-Economic Development in Nigeria: Challenges and Prospects.

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Abstract

The discovery, exploration and exploitation of oil in Nigeria have been a blessing in disguise. Rather than foster development, corruption and mismanagement of public funds have been a feature of the polity. This has deviated the state from the trajectory of development and denied the people the blessings of oil. The study examined how the Nigerian state utilized funds realized from the removal of fuel subsidies and injected the same into other sectors towards achieving socio-economic development. The study employed the mixed research methodology in analyzing data and employed the Big Push Theory as its analytical framework. The theory asserts that to achieve socio-economic development; there is a need for coordination among different components of the economy. The study concludes that although fuel subsidy removal could generate significant fiscal savings for the government, implementing it requires tactfulness and a careful study of the economy as its forceful implementation could have severe consequences. Also, if funds realized are efficiently utilized, it will foster socio-economic development and lessen the economic burdens on the citizenry. The study recommended among others for the initiative to be beneficial, funds realized must be evenly channelled into other sectors like education, security, agriculture and transportation; as this will rejuvenate the economy and foster sustained socio-economic development.

Keywords: Fuel, Subsidy, Removal, Socio-economic, Development.

Introduction

In the Nigerian economy, oil occupies a prominent place in the power equation. This is because petroleum products remain a determinant of Nigeria's socio-economic, educational, foreign and

defence policies. Thus, the power struggle is a clear struggle to control the oil resources and improve the lots of ethnic groups through development opportunities. This implies that politics in Nigeria is connected with the control over the oil sector making national and individual dreams, hopes and aspirations to be built around oil. Available literature has shown that Nigeria is the largest in Africa and the sixth-largest oil producer in the world. The country's economic strength is derived largely from its oil and gas wealth, which contributes to about 99% of government revenue and 38.8% of GDP (FGN, 2010). Thus, since the discovery of oil in commercial quantities in 1957 in Oloibiri, a remote community in today's Bayelsa State, revenue from oil has generated billions of dollars in the last fifty years. Like most developing countries, this has not translated into improved welfare for the people. However, corruption, abuse of powers, mismanagement, bureaucratic bottlenecks and subsidizing, and economic benefits from the

supply of refined crude oil products in the country have yielded significant results (Ibanga, 2011; Balouga, 2012).

The issue of petroleum products pricing has always been sensitive in Nigeria and it ought to always be carefully and tactfully handled. Due to the low income of the people and poor infrastructural development especially in transportation, communication and electric power systems, the effect of petroleum products price increase is heavily felt by people. For five decades now, Nigeria's economic policies, growth and other related activities have been largely influenced bythe oil industry. Adelabu (2012) posits thatthe Nigerian economy is heavily dependent on the oil industry maintaining that it serves as the blood of the economy. Though Nigeria has a significant population in Africa and is the sixth largest oil-producing country in the world, successive Nigerian governments have been unable to use the oil wealth to significantly reduce poverty, and provide basic social and economic opportunities to service the needs of the citizens (Ering&Akpan 2012).

Before President Jonathan's administration, fuel subsidy was a purported policy of the Federal Government meant to assist the people of Nigeria to cushion the effects of economic hardship. However, owing to its perceived benefits, the then Federal government canvassed and lobbied for fuel subsidy removal. Though President Jonathan's administration faced great controversy, over his efforts to change the narrative, the attempted removal of fuel subsidies was a significant milestone of the administration. The issue of fuel subsidy removal has been a thorny issue in Nigeria as for decades, different administrations have tried to implement the reform but were unsuccessful due to fierce public disapproval. This has led to mass protests by the citizens and civil society who regard such policy as a measure to further subjugate and impoverish the masses. Notwithstanding, it seems that the longer the concerns about subsidies, the more entrenched the opposition to reduce them.

Statement of the Problem

Fuel subsidy is viewed to be a double-edged sword in Nigeria. While its removal is intended to ease the financial burdens onthe government and stimulate economic growth, it has triggereda negative effect on the cost of living. Its immediate consequence is the surge in fuel prices which negatively affectsthe cost of transportation of goods and services across the country. Subsequently, the effect has caused a spike in the prices of essential goods. This ripple effect is challenging, especially for low-income earners, who allocate a significant portion of their income to necessities. Furthermore, the removal of fuel subsidies has contributed to inflationary pressures making the overall economic landscape more challenging for average citizens. Inflation erodes the purchasing power of consumers making it harder for individuals and families to meet their basic needs. This situation becomes more pronounced for vulnerable populations thus amplifying socio-economic disparities.

Scholars have argued that the removal of fuel subsidies provides a brighter economic prospect for the nation and affords more funds to the economy. This implies that funds which would have been used in subsidizing are saved and hence can be used in servicing capital projects as well as reducing borrowing or dependence on foreign aid (Bazilian & Onyeji, 2012; Majekodunmi, 2013). Before its removal, it was argued that Nigeria did not have sufficient funds for the development of critical public infrastructures. This lack of funds led previous administrations to tailor their budgets to borrowing and foreign aid. However, with the removal of fuel subsidies in 2023, the government could re-invest funds realized from the policy and

channel them appropriately to develop critical public infrastructures. In addition, funds realized from subsidies empower the government to embark on other developmental projects as well as lessen taxation policies on public goods thereby increasing the welfare and wellbeing of the citizenry. By this, the economy experiences growth as the price of goods and services are reduced leading to an increase in disposable income. This will lead to economic growth and development.

However, the reverse is the case as the Nigerian economy somersaulted leading to a hike in the price of goods and services. With the removal of petroleum subsidies, the cost of transportation has steadily increased leading to a commensurate increase in prices of other goods. For instance, the price of a bag of rice jerked from #25,000.00 or #30,000.00 to #95,000.00 - #100,000.00, and garri from #5000.00 to #15,000.00 per basin respectively. In the housing sector, a self-contained flat jerked from one hundred and fifty thousand naira to four hundred and fifty thousand, and a one-bedroom apartment also rose from two hundred and fifty thousand to seven hundred thousand respectively. It is argued in the local parlance that in Nigeria, the cost of living is killing the living. Also, in the international market, the naira continues to prostrate before the dollar with a steady increase in exchange rate. This disequilibrium has made economic experts inquire to know how soon the Nigerian economy will regain this disequilibrium thereby making her citizens benefit from the subsidy policy. This study therefore is an attempt to interrogate the Fuel Subsidy Removal and Socio-economic Developments in Nigeria, vis-a-vis its prospects and challenges.

The President Tinubu administration birthed the official removal of fuel subsidies in Nigeria. However, unlike previous administrations that were greeted with mass protest and public outcry, the current era enjoyed a smooth ride as the citizenry did not repel the official pronouncements of fuel subsidy removal. What the populace did was to murmur and adjust their lifestyles in acceptance of the new government policy. However, rather than enjoy the perceived benefits of the policy, the economy is somersaulted leading to a daily hike in the prices of goods and services. The study: Fuel Subsidy Removal and Socio-economic Development is therefore an attempt to analyze the policy to assess its prospects for the future.

Objectives of the Study

The objectives of the study are as follows:

1. To examine the impact of fuel subsidy removal and socio-economic development in Nigeria.
2. To analyze how the Nigerian state has been able to utilize funds from the removal of subsidy to injecting into other sectors of the economy towards achieving socio-economic development.
3. To examine the effect of fuel subsidy removal on prices of goods andservices in Nigeria.

Conceptual/Literature Review

Subsidy/Fuel Subsidy

A subsidy is a government payment to individuals or businesses either directly or indirectly. They could be used to lower prices for customers, increase producer incomes or foster socio-economic policies. A subsidy can also take the form of a tax concession to encourage the consumption of a product. In an economic sense, a subsidy exists when consumers of a given

commodity are assisted by the government to pay less than the initial price of a product. This means that the government services the junk at the price of the said product while the citizens pay a token to consume it. Dickson (2024, p. 28) asserts that in general terms, a subsidy is a government assistance programme given directly to a person or private business that is considered to be in the public interest while from an economic perspective, it is a situation where government assists consumers in paying less than the going rate for a certain commodity. In other words, it is any measure that keeps the prices consumers pay for a good or product below the market levels for consumers or producers above the market rate.

Though subsidy as a term is commonly used in ordinary discourse, it is necessary to give the term a working definition. Thus, it is viewed as a form of assistance provided by the government to a subset of the public by lowering the cost of producing a good or the price that a consumer pays for a good or service (Triest, 2019). This definition encompasses a wide range of government policies, including goods and services provided below-cost prices; goods and services given favourable tax treatment and government regulations that indirectly lower the cost of particular goods or services.

The concept could also be defined as payments made by the government to a firm or household to reduce the cost of factor(s) or goods and services. Shoup (1973) defined subsidy as a measure that provides financial advantage to a firm or household in the private sector which is linked with buying or selling some good or service or factor of production, intended to increase or to decrease the purchase, sale or use of that particular good or service. On the other hand, the International Energy Agency (IEA, 1999), defined energy subsidy as any government action that lowers the cost of energy production; raises the prices received by energy producers or lowers the price paid by energy consumers. Subsidy can either be production or consumption. A subsidy that encourages the production of a commodity is regarded as a production subsidy while consumption subsidies do not add to production but affect the consumer's choice. There are different types of production subsidies. They include: corrective, export, Pigovian or wage. Similarly, consumption subsidies can either be quantity, ad valorem or lump sum. Specifically on energy subsidies, the IEA (1999)identified four major forms of energy. They range from grants and credits (soft loans or interest rates) to producers or consumers of energy; market price support; differential tax rates and publicly funded research and development programs.

In developed societies such as the USA and Canada, the government also subsidises public housing. By this policy, public authorities in cities provide services directly to low and moderate-income families who rent apartments in publicly owned and managed facilities with rents fixed at lesser market rates. This therefore provides direct subsidy to tenants residing in facilities financed by the housing authority's budget. Although public housing is the most visible form of subsidized housing, the concept takes different shapes and forms. For example, the Low Income Housing Tax Credit (LIHTC) program provides tax credits to developers of rental housing making it affordable to low-income families. This program creates a complicated chain of subsidies and is a good example of a subsidy in which the direct recipients are not the ultimate beneficiaries. Rather than directly providing subsidized housing, the LIHTC programme subsidizes the development of low-income housing. Low-income families are the ultimate beneficiaries of the programme through the expansion of the stock of affordable housing, although they are not the direct recipients of the tax credits. The developers of housing initiatives receive the credits, but they also incur costs associated with adhering to rules designed to ensure that low-income families benefit.

The developers generally sell the tax credits to investors who finance the projects. The investors who buy those tax credits appear to be the beneficiaries, but since they have to pay for the tax credits (presumably at a fair market rate), they are simply using the tax credits to reduce their tax liability (Triest, 2009).Thus, low-income households are primary beneficiaries of the LIHTC programme which is the largest housing subsidy program in the United States. However, the deduction for home mortgage interest payments in U.S. federal income tax along with the failure to tax the implicit income flow from owner-occupied housing, disproportionately benefits relatively high-income households and dwarfs all other housing subsidies. Homeowners' consumption of housing services is effectively subsidized at a rate equal to one minus the homeowner's federal marginal income tax rate. However, because high-income taxpayers tend to have a higher marginal tax rate and consume a larger volume of owner-occupied housing than low-income households, the value of tax-related subsidies for owner-occupied housing tends to increase with income (Triest, 2009).

A subsidy, therefore, could be described as a difference between the actual market price of petroleum products per litre and what the final consumers pay for the same products. Subsidy therefore is a policy of the federal government meant to assist the people to cushion the effects of the biting economic hardship. It is a government discount on the market price of fossil fuel to make consumers pay less than the prevailing market price (Ovaga & Okechukwu, 2022). When subsidies are in place, consumers would pay below the market price per litre of the petroleum product. Globally, there are debates about subsidies because of their huge amount and their effect on citizen's welfare and the fiscal health of a nation. The size of global fossil fuel is large and estimated at $1 trillion in 2022 from $325 billion in 2018, according to the International Energy Agency. This amount is significantly higher than the value of global aid which was estimated at $204 billion in 2022 and larger than the combined government revenue of developing countries. This has led to calls for the removal of global fossil fuel subsidies so that the saved funds can be used to assist the poor and vulnerable in need of humanitarian assistance in developing countries (Couharde & Mouhoud, 2020; Ozili & Ozen, 2021).

Fuel subsidy removal, therefore, refers to the government's decision to eliminate or reduce subsidies for petroleum products such as fuel, gasoline and diesel. Its removal is the situation where the government lifts the subsidization of petrol prices which have been allocated to petrol refining. The concept is geared towards promoting economic and social policy objectives. The concept which has raised much controversy in Nigeria was first introduced in the 1970s as a response to the oil price shock in 1973 (Houeland, 2020). The concept was implemented to stabilize fuel prices, control inflation and ease the financial burden on citizens. Ude (2023) posits that the concept helps reduce operating costs, making transportation more affordable and facilitating distribution activities for Small and Medium Scale Establishments. The Nigerian government has periodically grappled with the issue of fuel subsidy removal because of the immense strain it places on the country's finances. Consequently, in recent years, economic challenges necessitated its removal. Thus, on May 29, 2023, President Tinubu announced in his inaugural speech that fuel subsidies were scrapped as part of his economic policies. He argued that the subsidy was unsustainable and inefficient thus funds saved from it would be invested in public infrastructure and social welfare (Ozili, 2023).

It is vital to mention that policymakers in many countries are reluctant to remove fuel subsidies and to implement fuel subsidy reforms because such reforms may result in a significant increase in fuel or electricity prices which could lead to economic hardship for low-income and

poor citizens, and might lead to massive protest and increase the risk of a revolution or the overthrow of the incumbent government. In Nigeria, fuel subsidy removal was first introduced in the 1970s as a response to the oil price shock in 1973. More so, in 1986, fuel subsidies were partially removed. Since then, fuel subsidies have been in place. However, in 2012, the federal government under President Jonathan abruptly removed fuel subsidies. The removal led to massive protests which forced the government to reinstate it. Since then, fuel subsidy payments in Nigeria have grown enormously. In 2022, fuel subsidy reached ₦4 trillion (US$6.088 billion) which amounted to 23 percent of the national budget of ₦17.126 trillion (US$25.87 billion) in 2022. As a result, Nigeria could no longer sustain fuel subsidies, making President Tinubu in his inaugural speech in 2023, announce that fuel subsidies were removed already.

It should be noted that the Nigerian oil and gas downstream sector is dominated by cartels who manipulate prices through artificial supply restrictions. These cartels determine the volume of imports and the proportion that should be supplied to the market. At times, they only allow a few product holders to supply products to the market while large quantities of the product are hoarded. This cartel is so strong thus could manipulate prices out of the reach of the common man. Democratic Socialist Movement (2009) argued that deregulation is ineffective without refineries as such will lead to a serious economic crisis. It should also be noted that Nigeria's first refineries have a maximum nominal or installed capacity to process 445,000 barrels of crude oil per day. This is less than 40% of the daily national consumption requirement. Such relatively low production capacity is further hampered by maintenance and operational shortcomings which has resulted in inevitable severe product shortages. The situation is further compounded by price disparities between Nigeria's markets and her sub-regional neighbours which encourage product smuggling thereby widening the gap between supply and local demand. Today, more than 90% of petroleum products consumed in the domestic market are imported usually at higher costs, which naturally reflect international crude oil prices. This clearly, is a dysfunctional state of affairs for a state that is rated as one of the top ten oil producers in the world. The history of fuel subsidy removal in Nigeria is rather a long one, particularly with its negative effects on the polity.

The Nigerian economy has enjoyed subsidies in various ways for many years. This includes fuel, education and electricity. Fuel subsidies began in the 1970s and became institutionalized in 1977, following the promulgation of the Price Control Act which made it illegal for some products (including petrol) to be sold above the regulated price. While the concept of subsidy removal is noble, its administration in Nigeria has been plagued with serious allegations of corruption and mismanagement. For instance, over a decade after diesel was deregulated, the kerosene subsidy was also removed in 2016. However, the subsidy on Petroleum Motor Spirit (PMS) has proven to be the biggest challenge to the managers of the Nigerian economy. Thus, on an annual basis, a substantial portion of the national inflow is committed to a funding subsidy scheme. Of course, there are good reasons for the astronomical growth in the price of crude oil in the international market especially as the volume of PMS consumed remains debatable with Naira devaluation are one of its drivers. Thus, given the significance of the amount committed to funding the subsidy regime, there is a need to have a close look at the scheme.

Socio-Economic Development

Socio-economic development implies the processes which leaders of a state adopt to deliberately transform the economy for the betterment of their citizens. This implies that socio-economic development is a pathway which a leader or leaders of a state decide to navigate to attain societal

growth and development. The efforts here are geared towards increasing production at a reduced cost. It could also take the form of providing an enabling environment for businesses to strive. This will attract investors and as well increase household income and raise the standard of living. It is a deliberate economic policy geared towards transforming the economy thereby paving the way for economic development. Thus, socio-economic development is a process of quantitative, qualitative and structural changes that are a result of deliberate actions taken within the social (economic) sector. These changes influence life conditions and drive towards economic growth, entrepreneurship, access to public goods and services, security, education, friendly environmental conditions and life satisfaction (Stemplowki, 1987, Chojnicki, 2010, UNDP 2012; Bello, 2011).

In mainstream economics, the term 'development' was not used until the end of the first half of the 20th century when it was viewed as a spontaneous and target-oriented process. Sachs (2000) remarked that development can be understood as material progress and the level of development within a certain period could be measured by economic performance. Thus, Lewis (1955) claimed that economic development means an increase in real national income per capita. In other words, development means economic growth (Sachs, 2000). However, Singer (1961) measured development from human capital, which includes wealth creation with mental capability being essential. This development is based on individual capacity (brain power). It was also realized that a share of national income was created as labour and capital production processes were very low. Thus, the technical progress or the application of scientific knowledge in the manufacturing process was adopted as a resort (Arndt, 1987). Thus, the concept of human capital as a key variable in economic growth and development became prioritized leading to an increase in production especially in the United States (Schultz 1963).

The definition of development proposed by UNDP (2000), encompasses poverty reduction, improved health standards, equitable distribution of resources, free education for all, food security and good governance. This implies that considerations on development have shifted from the context of poverty alleviation as obtained in developing regions (Massey, 1988). Thus, socio-economic development entails environmental friendliness, improved humanitarian services, philosophical or sociological ideas concerning equality as well as an investment in social capital (Fritz, 2004). With the subsidy removal, the government is armed with more funds to embark on capital projects as well as funds to re-invest in other sectors of the economy. Fuel subsidy removal, therefore, is an initiative which if its funds are efficiently utilized, will foster socio-economic developments and lessen the economic burdens on the citizenry.

Theoretical Framework

The study adopted the Big Push Theory espoused by Paul Rosenstein Rodan(Kevin et al (1989)as a guide. Though it was first introduced in the 1940s and subsequently expanded by other economists, it is often used to explain the success of post-World War II reconstruction efforts, such as the Marshall Plan. Thus, overtime the theory has evolved to include a focus on human capital development and coordination between public and private sectors. The theory proposes a coordinated effort to promote economic growth. It assumed that investment by both public and private sectors in infrastructures, education, healthcare, security and other key areas can create a positive feedback loop, leading to sustainable economic development. In other words, economic development could jumpstart through a coordinated effort to increase investment in infrastructures and other key sectors. The theory emphasizes the importance of coordination between different actors, such as government agencies, the private sector and

international organizations to achieve socio-economic goals. By increasing investment in these areas, the economies could become more productive and competitive, leading to sustained economic growth.

Another important component is infrastructure, which includes roads, bridges and power grids. Without adequate infrastructure, it would be difficult for businesses to thieve effectively as goods and services have to be transported through the roads to other parts of the state. Thus, coordination of different sectors is key to the success of the theory. This involves bringing different stakeholders to work towards a common goal as well as sharing information and resources within different components of the economic sector. The Big Push theory has significant implications as it addresses market failure which prevents private sectors from investing in key sectors. This may require government intervention to provide incentives for private investors to directly invest in these sectors. The theory therefore is a model for developing states to attain socio-economic development making its adoption as a development initiative apt for this study. Case studies have shown the success of the approach in countries such as South Korea, where the ailing economy experienced rapid economic growth in the 1960s and 1970s respectively.

Methods and Materials

The study adopted the historical research design. This is because the concern about subsidy removal in Nigeria is historical hence the study will review historical documents to understand its challenges and prospects.Thus, data was gleaned using secondary sources like newspapers, news magazines, textbooks, internet sources and academic journals. Thus, the qualitative method was employed for analysis.

Empirical Review and Analysis

Uzoma (2017)asserted that subsidy removal faced fierce resistance in Nigeria. However, to address the said discourse, the survey design was employed and about 400 respondents were selected via a simple random sampling technique; with the rational choice theory as its analytical framework. Data were sourced via a questionnaire instrument. Descriptive statistics such as simple percentages and frequency tables were used for data analysis. Findings revealed thatthe removal of fuel subsidies affected business income and profit margins as a result of low-profit generation by SMEs. Additionally, subsidy removal harms the operating cost of SMEs leading to inflation, making it difficult for SME's to purchase goods for their business. Recommendations made include the following: the provision of financial and regulatory support such as loans and grants by the government to support SME's to thrive. Also,the government should diversify the economy to reduce dependence on oil revenue which can be accomplished by developing other sectors like agriculture, manufacturing and technology as alternative sources of income.

Obasi, et al (2017) asserted that the political economy of fuel subsidy removal in Nigeria and its implications address the arguments against fuel subsidy removal in Nigeria. The study relied on secondary data which enabled the researcher to explore recorded data thus making for an in-depth analysis. The findings reveal that corruption in the oil sector is responsible for the intractable economic development which has worsened the plight of Nigerians. However, while the country's refineries remain moribund, fuel subsidies have created leeway for the criminally-minded elite to squander the commonwealth. More so, the government has demonstrated little or no political will to stem the decay in the oil sector, as underscored by the failure to prosecute oil thieves, some of whom are directly or indirectly connected to the apparatus of the state.

Regrettably, unlike in Ghana where the government engaged the people and introduced measures to cushion the harsh effects of fuel subsidy on its citizens, in Nigeria, the government has often increased the cost of petrol before ever addressing its impacts. The paper therefore recommends the revamping of the country's refineries; strengthening of the fight against corruption and the establishment of a regulatory framework to protect citizens as necessary measures to improve the decaying state of Nigeria's economy.

Abimbola, et al (2016) remarked that in recent times, no other sector has been given so much attention in Nigeria's development plans as the small and medium industrial sector. This is because there has been a conscious decision to de-emphasise the capital-intensive, large-scale industrial projects by the three tiers of government in Nigeria as well as put more emphasis on small-scale enterprises. Also, over the years, small-scale enterprises have been observed to have immense potential forthe socio-economic development of the nation. The paper is aimed at establishing the potential of small and medium enterprises (SMEs) in Nigeria; identifying their challenges and prospects. Empirical evidence revealed that SMEDAN is faced with thorny challenges ranging from inadequate funds, tribalism, nepotism, and lack of enlightenment campaign amongst others. Findings show that SMEDAN has not carried out its roles to a large extent to help alleviate the challenges faced by small and medium enterprises in Nigerians. It is thus recommended for increased awareness campaigns for the agency as well as its roles as a source of food as well as the activation of checks and balances within the system to nib corruption in the bud. These recommendations will aid the agency to perform its roles efficiently thereby contributing her quota to the socio-economic development of Nigeria.

Wal-Bambe et al. (2024) posited that global oil prices have surged in recent decades. This has significantly affected household living standards. In response to rising prices, many governments introduced fuel price subsidies to protect the most vulnerable populations. The reviewed literature corroborates fuel price subsidies are inefficient and generate significant socio-economic and environmental costs. However, it is also argued that subsidies often represent a significant proportion of poor households' income thus removing them could have devastating effects. Moreover, given that fuel is a key input to economic activity, removing subsidies would alter the cost structure of specific sectors, with impacts on employment, competitiveness and households' welfare. One important question then is how can policymakers reduce the effects of fuel subsidies while implementing effective measures to curb the adverse effects of price hikes in the economy.

Discussion and Finding

From the forgone discussion, the study found out that corruption in the nation's sprawling oil sector is hugely responsible for the intractable economic development which has worsened the plights of Nigerians. While refineries remain moribund, fuel subsidy removal has created a leeway for the criminally-minded elites to squander the nation's commonwealth. Unlike other societies where the government engaged the people and introduced measures to cushion the harsh effects of fuel subsidy removal, in Nigeria, the government increased the cost of petrol by removing fuel subsidy not minding its impacts on vulnerable groups. Thus,the removal of fuel subsidies without adequate preparations in terms of structures skyrocketsthe price of goods and services. This has reduced household disposable income thereby making survival a mirage in Nigeria. For instance, beforethe removal of the subsidy, a litre of fuel was sold for around #184.00. However, in the post-subsidy era, the price jerked to #617 and around #1100 presently.

The impact of the increment in fuel prices has also increased the prices of stable food. For instance, before subsidy removal, a 50kg bag of rice was sold at #2500 in the year 2000. As of today, the price of a 50 Kg bag of rice has increased to #100,000. Prices of other stable foods like bread, beans, yam, pepper and tomatoes among others have skyrocketed. In the housing sector, a self-contained flat in the city valued between #100,000 to #120,000 in the pre-subsidy removal era. In post-subsidy, the prices range between #350,000 - #400,000. This exponential increase in prices of goods and services in the post-subsidy economic sector is having a severe impact on the household sector which is argued in the local parlance to be potent enough to kill the living. Also, in the industrial sector, the impact is heavily felt as the cost of production has increased unbearably.

Finally, fuel subsidy removal hurts the operating cost of SMEs thereby contributing to exponential hike in prices of goods and services. However, despite the present harsh realities that the fuel subsidy removal has on the economy, the initiative portends hope for the common man if the government is deliberate with accountability as its watchword. This means, that amidst these current economic challenges, there is a ray of hope for Nigeria as the economy if consciously monitored could move from its dwindling status to a prosperous economy.

However, fuel subsidy removal has generated serious concerns leading to elite protests and counter-protests. Thus, the discourse has been highly political with ethnic sentiments. For instance, in 2012, then-President Jonathan attempted to remove fuel subsidies but was greeted by fierce protests from the elite class mostly from the Southwest. This protest forced the Jonathan administration to suspend the initiative. However, the current Nigerian leadership, on the eve of the inauguration, announced the removal of fuel subsidies without adequate preparations and provisions. Its immediate consequence is the surge in fuel prices which directly affects the cost of transportation of goods and services. Subsequently, the effect has caused a hike in the prices of essential goods. The ripple effect is challenging, especially for low-income earners, who allocate a significant portion of their income to necessities. Furthermore, the removal of fuel subsidies has contributed to inflationary pressures making the economic landscape more challenging for average citizens. Thus, since inflation erodes the purchasing power of citizens, the situation becomes worrisome for vulnerable populations thereby amplifying socio-economic disparities between leaders and the masses.

Conclusion

Although fuel subsidy removal may generate significant fiscal savings for the government, implementing it requires tactfulness and a careful study of the economy as its forceful implementation might have severe consequences on other components of the economy. More so, measures aimed at removing fuel subsidies must be properly managed. However, since its removal is for the futuristic benefit of the economy, it should be done progressively starting with effective publicity or information dissemination. Also, it is necessary to fix the economy and put in place measures that will increase personal income to lessen the impact of its removal on the citizenry. In an economy where transparency is in question, rather than compensation packages, social investment should be adopted. This is because increased social spending and cash transfers might not get to the most vulnerable households.

Recommendations

The following are recommendations of the study.

1. Accountability on the part of the government is conditional for the policy to achieve its desired goals. Thus, funds realized from the subsidy removal should be channelled into other sectors of the economy like education, security, agriculture and transportation. If these funds are evenly distributed, the economy will experience sustained socio-economic development and the national economy will be revived.
2. The government should be deliberate and create an enabling environment for businesses to thrive. This will encourage private investors which in turn will reduce the rate of youth unemployment. Good enumeration arising from competition in the industrial sector will lessen the poverty index which will in turn equip the household sector with the funds to provide for their daily needs.
3. A comprehensive data collection scheme should be embarked upon across the nation. With this data, the government will be handy with household income, expenditure patterns, access to public services and other socio-economic indicators. This information will arm the government making it possible for her to embark on assistance programmes geared towards injecting funds to the needy and small-scale business owners thereby activating the business sector.

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