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Impact of Fuel Subsidy Removal on Logistic Companies in Delta State, Nigeria

Oghenenyerhovwo Elvis Adogbeji
Dennis Osadebay University, Asaba, Delta State, Nigeria
Oghenenyerhovwo.adogbeji@dou.edu.ng

Samuel Ogheneruona Ejeba
Dennis Osadebay University, Asaba, Delta State, Nigeria
Ejeba.samuel@dou.edu.ng

Abstract
The removal of fuel subsidies in Nigeria has had significant repercussions on logistics companies in Delta State. The immediate consequence was a substantial increase in fuel prices, with petrol costs escalating by over 300% following the subsidy removal in May 2023. This surge led to a marked rise in operational expenses for logistics firms, compelling many to adjust their pricing structures to sustain profitability. This study investigated the negative impact of fuel subsidy removal on logistics companies in Delta State. The study adopted the Resource Dependency Theory (RDT) to explain how external resources influence the behaviour and survival of organisations. Simple percentage and chi-square were used to test the hypotheses, while 102 sampled respondents completed a structured questionnaire that was used to collect data from respondents. The study finds that fuel subsidy removal has led to the closure of many logistic companies in Delta State, slowed down the speed of logistic firms' service delivery in Delta State and has affected the distance or root cover by logistic companies in Delta State. The study recommended, among others, the need for Government and industry stakeholders to initiate targeted support programs such as tax relief, grants, or subsidised loans to help logistics firms adjust to the new fuel pricing regime and sustain their operations.

Keywords: Subsidy, Fuel subsidy, fuel subsidy removal, logistics, firms.

Introduction

The role of energy in economic growth cannot be overstated. Since man discovered fire, no human society has been able to exist without some form of energy, and meeting its energy needs acts as a barometer for determining economic success. Energy is essential; thus, the removal of fuel subsidies in Nigeria has sparked significant debate and economic readjustments across various sectors, with logistics companies being among the most affected. In Delta State, where road transportation plays a critical role in the movement of goods and services, the elimination of fuel subsidies has led to increased operational costs for logistics providers (Adogbeji, Okonkwo, & Ushurhe, 2024). This development has not only strained profit

margins but also reshaped the dynamics of the logistics industry, prompting companies to explore alternative strategies for survival and sustainability.

Fuel subsidies in Nigeria began in 1972, during General Yakubu Gowon's tenure as Military Head of State, and became institutionalised in 1977, with the passage of the Price Control Act, which made it illegal to sell specific items (including petrol) over the regulated price. The government subsidized agricultural inputs such as fertilizer, farming equipment, hybrid seeds, and so on at various levels, either through direct cash payments to farmers, price reductions from factories, direct importation by government agents and parastatals and sale at a reduced price to farmers, or tax exemptions and holidays for large-scale and mechanized farmers (Adogbeji & Isonah, 2025). Fuel subsidy, for years, served as a cushion against fluctuating global oil prices, allowing transport-dependent industries to operate with relatively

predictable expenses. However, its removal has exposed logistics companies in Delta State to the full brunt of market forces (Oladimeji, 2025). This has resulted in a sharp rise in fuel prices, which directly impacts the cost of running delivery vehicles, maintaining fleets, and offering affordable services to clients. As fuel constitutes a major part of logistics expenses, any hike significantly disrupts pricing models and service delivery timelines.

Many logistics firms, particularly small and medium enterprises, are grappling with the challenge of adjusting to the new economic realities. Some have had to increase the cost of services to stay afloat, while others face reduced patronage due to clients' inability to absorb the higher charges. In a competitive market like Delta State, where customer expectations for timely and affordable deliveries are high, this situation has placed many businesses in a precarious position, forcing them to innovate or risk closure (Adogbeji & Ogbe, 2025). Furthermore, the ripple effect of subsidy removal extends to employment within the logistics sector. As companies downsize or automate operations to cut costs, job losses have become increasingly common. Drivers, dispatch riders, and administrative staff are among those most vulnerable. This has broader socioeconomic implications, contributing to unemployment and economic hardship in a region already grappling with developmental challenges.

In response to these disruptions, some logistics companies are adopting adaptive measures such as route optimisation, vehicle pooling, and the integration of fuel-efficient technologies. Others are exploring partnerships and investment in alternative energy sources to mitigate fuel dependency. While these strategies offer hope, they require time, resources, and policy support to be effective, especially for smaller players lacking adequate capital or access to innovation.

The removal of fuel subsidies in Nigeria has profoundly impacted logistics companies in Delta State, reshaping the cost structure and operational frameworks of these businesses. While some firms are finding ways to adapt, many are struggling to cope with the sudden shift. The long-term effects will largely depend on how businesses, government, and other stakeholders collaborate to create a more resilient and efficient logistics ecosystem in the face of these economic changes (Adogbeji & Ogbe, 2025).

Objectives of the Study

1. To examine the effect of fuel subsidy removal on logistic companies in Delta State
2. To assess the impact of fuel subsidy removal on the cost of running a logistics business in Delta State

Research Hypotheses

1. There is no relationship between fuel subsidy removal and logistic companies in Delta State.
2. There is no relationship between fuel subsidy removal and the cost of running a logistics business in Delta State.

Conceptual Clarification

Concept of Subsidy

Subsidies are direct or indirect payments made by the government to businesses or individuals. Direct subsidies are money payments from the government to the recipient. Indirect subsidies, on the other hand, include government actions such as tax breaks and waivers. Subsidies are frequently used to stimulate demand and production. For example, if the government gives direct payments to rice farmers, it may increase rice output by cutting farmers' production costs. Here's an example of agricultural subsidies (Adogbeji, Okonkwo, & Ushurhe, 2024). According to Garba (2023), a subsidy is a payment made by another party (often the public sector or fiscal authorities) to private parties, families, or individuals in exchange for no

products or services. Subsidies are monetary incentives offered by the government to industries to lower product prices and boost competitiveness. This might be used to counteract the imposition of customs duty (in the form of protection duty) by an importing country's government. According to Dickson (2014, p. 28), “a subsidy is when the government assists consumers in paying less than the going rate for a certain commodity.”

One important purpose of subsidies is to maintain prices below the cost of production. Subsidies a government payments paid to companies or people, either directly or indirectly. Direct subsidies are monetary transfers from the government to recipients. Indirect subsidies involve government programs like tax holdings and waivers. Subsidies are typically applied to increase demand and output. Direct government incentives to firm owners can boost output by lowering expenses for them. According to Ikechukwu, Nwagbala, and Ezeanokwas (2025), a subsidy is a sum of money granted by the state or a public entity to help an industry or business maintain the price of a commodity or service low level. It is a sum of money donated to support an effort that is considered to be in the public interest. A monetary payment or contribution.

Concept of Fuel Subsidy

The name "subsidy" is derived from the Latin word "*subsidium*," which means reserve soldiers, assistance, or aid. It comes from the terms "sub-near" and "sedēre," which mean "to sit." Subsidies may thus be characterised as a government giveaway of financial assistance intended to keep the price of a specific item steady (Adogbeji & Isonah, 2025). Subsidising is selling a commodity at a cheaper cost than manufacturing; for example, a fuel subsidy entails selling gasoline at a lower cost than imports (Ogunode, Ahmed, & Olugbenga, 2023). Fuel subsidies may be defined as the government's endeavour to compensate for the gap between the pump price of gasoline at the gas station and the actual cost of importing the commodity. So, by paying the difference, the government permits gasoline to be supplied at a lesser cost, reducing the burden on its residents, particularly those with lower means. A fuel subsidy is a government gift of financial help intended to keep petroleum product prices low (Civic Keypoint, 2023). Fuel subsidies are government discounts on the market price of fossil fuels that result in customers paying less than the current market price of fuel. When subsidies are in place, customers pay less than the market price per litre of petroleum product.

Removing gasoline subsidies causes prices to increase to market levels. This causes higher gasoline prices and can have economic and societal consequences. According to Onyeizugbe and Onwuka (2012), fuel subsidies are government payments that reduce the cost of petroleum goods for consumers. Adogbeji, Okonkwo, and Ushurhe (2024) define fuel subsidies as the government's transfer of economic resources to consumers or producers of a product or service. The consequent motivation is to produce or consume more of a commodity than would otherwise be the case. A fuel subsidy is any government program that tries to lower the price of energy consumed by citizens, compared to what it would have been if the policy did not exist. Fuel subsidies are a government effort intended to reduce the amount Nigerians pay for petroleum motor spirit (PMS) and vehicle gas oil (Diesel), as well as to protect citizens from crude oil volatility on the international market (Ilodigwe, 2023).

Subsidies are a stopgap measure aimed at minimising the impact of letting market forces determine the price of petroleum products. According to Garba (2023), a fuel subsidy is any strategy used to keep the price of a product or service lower than the genuine market price. According to Garba (2023), it is the price paid by the government on behalf of consumers to make it more affordable for them. Subsidies can take the form of a gift, a grant, a tax break, a hybrid payment, or other forms intended to reduce the burden on the people.

Subsidies occur when the government helps customers pay a lower price for a certain product than the current market price (Adogbeji, Okonkwo, & Ushurhe, 2024). Some writers,

such as Ozili (2023), see it as a form of market manipulation in which the government fixes an item's price below its genuine market value and pays the difference to merchants. In this case, the government lowers the pump price of fuel below the genuine market price, and the difference is paid to importers and marketers by the government. Subsidies are important policy tools used by governments to attain economic, social, and environmental goals. They stated that energy resources are one of the resources in which governments in impoverished countries commonly meddle, mostly by providing subsidies for energy use.

According to Adogbeji, Okonkwo, and Ushurhe (2024), the reality of subsidy in Nigeria is that as the pump price of fuel rises, so does the cost of almost everything in Nigeria, and the purpose of fuel subsidies is to ensure that Nigerians have a reasonable cost of living, production, affordable services for everyone, and a good standard of living. He went on to say that every small increase in the price of gasoline without a palliative solution produces economic hardship for Nigerians and typically provokes resistance and protest from organised labour, civil society coalitions, and the general public.

Fuel Subsidy Removal

Fuel subsidies have long been a major source of government spending, with substantial sums paid annually to keep gasoline prices artificially low. This has led to the government borrowing heavily to support the subsidies, increasing the country's debt (Titus, Umar, & Oyedeji, 2024). By reducing the subsidy, the government may reduce borrowing and the associated large deficit, freeing up resources for other pressing needs. The elimination of fuel subsidies enables the government to shift funds that would have been spent on the subsidy to other critical areas such as education, healthcare, security, and infrastructure. This will not only improve citizens' living conditions but also stimulate economic growth. Fuel subsidy withdrawal is the process by which the government stops paying a portion of the cost of a certain item. It comprises the government refusing to pay importers or marketers to reduce the cost of their goods to the advantage or affordability of citizens. In the case of gasoline, it occurs when the government withdraws its aid in covering a portion of the cost of fuel so that citizens can afford it.

According to Adogbeji, Okonkwo, and Ushurhe (2024), Nigerians were astonished by the economic and political implications of eliminating gasoline subsidies. According to Adogbeji, Okonkwo, and Ushurhe (2024), gasoline subsidies are detrimental to Nigeria's economy; nevertheless, the subsidies should have been phased out gradually to reduce the negative economic consequences of their abrupt departure. The elimination of gasoline subsidies simply means that the government will no longer cover the gap between the pump price and the actual cost of importing petroleum. It technically refers to the entire deregulation of the downstream business, allowing for fierce competition from other interested investors. With the elimination of gasoline subsidies, fuel must be sold at the current market price based on the actual cost of importation. Adogbeji, Okonkwo, and Ushurhe (2024) defined fuel subsidy removal as the process of terminating government financial help for gasoline, causing prices to rise to market levels. This increases fuel prices and may have economic and societal effects.

Yunusa et al. (2023) described a fuel subsidy as a part of the price that consumers are required to pay to use petroleum products that is provided by the government to lessen the price burden. The Nigerian government abolished a portion of this subsidy, arguing that Nigerians' costs for petroleum goods are lower than they should be, particularly when compared to international market pricing, and will give the essential push for the Nigerian economy to regain its footing. The government recommends abolishing all gasoline subsidies, stating that the funds may be better spent on refineries, highways, and large infrastructure projects, assuring long-term economic development and wealth production for its population (Oladimeji, 2025). According to Adebiyi (2011), a fuel subsidy is the government's attempt to bridge the gap between the price of gasoline at the pump and the true cost of the product. So,

by paying the difference, the government permits gasoline to be delivered at a lower cost, reducing the burden on its residents, particularly those with lower means.

Reasons for Nigeria's Fuel Subsidy Removal

The abolition of Nigeria's gasoline subsidies in 2023 was a significant economic reform aimed at addressing long-standing financial and economic challenges. The fuel subsidy has become a major financial burden for Nigeria's government, costing billions of dollars annually. Ogunode, Ahmed, and Olugbenga (2023) reported that the government spent around ₦4 trillion (or $9.6 billion) on subsidies in 2022. This drained resources that could have gone toward infrastructure, healthcare, education, and other critical sectors. Subsidies contributed to Nigeria's growing budget deficits and increased reliance on borrowing. To cover subsidy expenditures, the government had to borrow excessively, resulting in huge public debt. By withdrawing the subsidy, the government intends to reduce its budget deficit and debt load. The subsidy resulted in artificially low gasoline prices, which distorted the economy and encouraged excessive consumption. With the subsidy in place, Nigerian gasoline prices were much lower than the international market price, leading to smuggling and corruption in the fuel distribution system (Adogbeji & Ogbe, 2025). Fuel that was supposed to be subsidised for Nigerian customers was routinely smuggled into neighbouring countries and sold at excessive prices.

The government believes that withdrawing the subsidy will improve efficiency in the downstream oil sector by allowing market forces to determine gasoline prices. This is designed to enhance competition, engage the private sector, and result in improved industry services and infrastructure over time. While Nigeria is a major oil producer, the majority of its refined petroleum products are imported (Ilodigwe, 2023). The administration believes that cutting subsidies will boost investment in local refineries. Local refineries may become more viable if market-based pricing is introduced, reducing dependency on imported petroleum and alleviating foreign exchange worries (Titus, Umar, & Oyedeji, 2024).

The International Monetary Fund (IMF) and the World Bank have long urged Nigeria to reduce its fuel subsidies as part of broader economic reform efforts. As Dickson (2024, p. 26) puts it, “fuel subsidy removal is part of the liberalisation policies of developing nations, which would attract more foreign capital and help the government channel useful funds into more productive ventures”. Therefore, fuel subsidy was an unsustainable policy, which impeded Nigeria's economic growth, and its withdrawal aligns with these institutions' suggestions for a more sustainable economy (Titus, Umar, & Oyedeji, 2024). The fuel subsidy programme was corrupt and ineffective. It presented opportunities for fraudulent activities, such as inflating gasoline import declarations and transferring subsidised fuel to the black market. Removing the subsidy helps to eliminate leakage and rent-seeking behaviour in the system (Titus, Umar, & Oyedeji, 2024).

While the elimination of the subsidy initially raised fuel prices, the administration believes that in the long term, it would help to stabilise the economy. Because of the fiscal difficulties it created, the subsidy was a significant contributor to inflation. The government intends to create a more stable economic environment that will encourage investment and employment creation by reducing government borrowing and deficits (Titus, Umar, & Oyedeji, 2024). The administration has proposed redirecting savings from gasoline subsidies to social welfare programs aimed at reducing the impact of rising fuel prices on the poor. Cash transfers, transit aid, and public infrastructure investment are intended to ameliorate the short-term hardship caused by subsidy reduction (Ilodigwe, 2023).

The termination of Nigeria's gasoline subsidies was motivated by a desire to relieve budgetary pressures, combat corruption, promote energy efficiency, boost local refining, and make way for more sustainable economic policies (Adogbeji & Isonah, 2025). However, the decision has sparked debate over its sociological ramifications, as many Nigerians rely on

subsidised fuel for transportation and daily life. The efficacy of this transformation is mainly dependent on the government's ability to manage the short-term economic implications and establish compensatory policies.

Logistic Companies and Fuel Subsidy Removal

The removal of fuel subsidy in Nigeria has significantly impacted various sectors of the economy, with logistics companies bearing a substantial portion of the burden. Fuel is a primary input in logistics operations, as it powers the vehicles that move goods across the country. The removal of the subsidy led to a sharp increase in the pump price of petroleum products, consequently driving up the operational costs for logistics firms. These companies, which often operate on tight margins, have had to absorb some of these costs or pass them on to consumers, resulting in increased prices for transportation and delivery services. With fuel costs skyrocketing, many logistics businesses are facing financial strain. Small and medium-scale operators, in particular, are struggling to stay afloat (Yakubu & Abubakar, 2025). Their inability to adjust quickly to the new pricing regime has resulted in operational inefficiencies, reduced fleet sizes, and layoffs. Some have resorted to reducing their service coverage areas to minimise fuel expenses, thereby limiting their market reach. The overall effect is a contraction of the logistics sector, which could have ripple effects on trade, commerce, and supply chain networks in the country.

Moreover, the removal of the subsidy has disrupted the pricing models that logistics companies previously used. Fixed pricing structures are no longer sustainable in an environment where fuel prices are volatile and largely unregulated. Companies are now forced to adopt flexible pricing mechanisms that adjust to fuel market trends. This unpredictability complicates contract negotiations and long-term planning, affecting customer relations and business stability. The need for frequent renegotiation of delivery contracts also introduces delays and erodes customer trust (Oladimeji, 2025). To adapt to these challenges, some logistics firms have begun investing in fuel-efficient vehicles, while others are optimising their route planning using digital tools and embracing technology to reduce fuel consumption. These adjustments, while strategic, require capital investment that not all operators can afford, particularly in an economy already grappling with inflation and currency devaluation. Thus, while innovation is essential, it remains unevenly accessible across the logistics landscape.

The government's rationale for removing the fuel subsidy was to reduce fiscal pressure and redirect funds to critical infrastructure. However, the absence of an effective palliative system to cushion the blow has left many logistics operators vulnerable. Without targeted support such as tax reliefs, grants, or access to low-interest loans, these companies face continued hardship. This policy shift, though economically justifiable in the long term, has immediate negative consequences that require urgent policy interventions to mitigate (Adogbeji, Okonkwo, & Ushurhe, 2024). Also, while the removal of fuel subsidy may be a necessary economic reform, its implementation has imposed significant burdens on logistics companies in Nigeria (Oladimeji, 2025). These firms, critical to the movement of goods and the functioning of supply chains, now face increased costs, operational difficulties, and reduced profitability. To ensure the sustainability of the logistics sector and the broader economy, there is a pressing need for policy responses that offer short-term relief and long-term support to logistics operators navigating this new fuel pricing landscape.

Theoretical Framework

This study is based on Resource Dependency Theory, introduced by Jeffrey Pfeffer and Gerald R. Salancik in 1978 as an aspect of organisational theory that outlines how external resources influence organisational behaviour and survival. In this context, organisations are not self-sufficient; they rely on external entities (e.g., suppliers, consumers, regulators) for critical

resources, including raw materials, labour, knowledge, and money. The external environment is often unpredictable, and organisations must adapt to changing resource availability, competitive dynamics, and regulatory requirements. Dependency creates power inequalities. Organisations with major resources exercise power over those who require them. Organisations that rely less on other entities tend to have more autonomy and power.

The Resource Dependency Theory states that organisations rely on external resources to operate and thrive. These resources are usually limited and controlled by other organisations, making reliant enterprises vulnerable to fluctuations in resource availability or cost. Organisations utilise a range of strategies to overcome these vulnerabilities, such as diversifying resource sources, forming partnerships, and innovating to reduce dependency. When fuel subsidies are abolished, fuel prices rise, impacting key resources such as energy, transportation, and commodities delivery. For hotel companies that rely significantly on these inputs, the move raises operating expenses for power, food supply logistics, employee transportation, and client mobility.

Method of Data Analysis

Using the survey approach, the study used a descriptive research design. The data were presented and analysed using simple percentages and chi-square analysis. Logistics business owners and managers were used for this study. The purposive sampling techniques were employed to choose the survey respondents. A structured questionnaire was employed as the data gathering tool. There are two sections to the questionnaire. The three sections of the instrument correspond to the research questions that were developed for the study. The four-point Likert scale was scored as follows: 4 for strongly agree, 3 for agree, 2 for strongly disagree and 1 for disagree.

Results and Discussion

Out of the one hundred and nine questionnaires (109), only one hundred and two (102) were found. This suggests that the seven copies could not be accounted for. This is sufficient for data analysis since it shows that 93.6% of the questionnaires were returned and 6.4% were lost. Thus, the 102 collected questionnaires served as the basis for the data analysis.

Table 1: Analysis of demographic characteristics of respondents

Items		Frequency	Percentage
Age	18-25	22	21.6
	26-33	47	46.1
	34 and above	33	32.4
	Total	102	100
Sex	Male	83	81.4
	Female	19	18.6
	Total	102	100
Religion	Christianity	89	87.3
	Islam	0	0
	African Traditional Religion	13	12.7
	Total	102	100
Marital Status	Married	27	26.5
	Single	75	73.5
	Total	102	100

Education	SSCE	13	12.7
	B.Sc	53	52
	M.Sc	25	24.5
	Ph.D	11	10.8
	Total	102	100

Source: Field Work, 2025

Table 1 shows the demographic characteristics of respondents. 22 respondents of 21.6% are 18-25 years old, 47 respondents of 46.1% are 26-33 years old, while 33 respondents of 32.4% are 34 years old and above. This shows that respondents of 26-33 years dominated the study. 83 respondents, 81.4% are male, while 19 respondents of 18.6% are female. Thus, the study is dominated by male respondents. 89 respondents, of 87.3% are Christians, none of the respondents are Islam, while 13 respondents, of 12.7% are African Traditional Religion (ATR). Thus, the study is dominated by Christians. 27 respondents, of 26.5% are married, while 75 respondents, of 73.5% are unmarried or single. Thus, the study is dominated by unmarried persons. 13 respondents of 12.7% are SSCE holders, 53 respondents of 52% are B.Sc holders, 25 respondents of 24.5% are M.Sc holders, while 11 respondents of 10.8% are Ph.D holders. Thus, this study is dominated by B.Sc. holders.

Table 2: Effect of fuel subsidy removal on logistic companies in Delta State

Statements	SA	A	SD	D	%A	%D
Fuel subsidy removal has negatively affected logistic companies in the Delta States	56	46	0	0	100	0
Fuel subsidy removal has led to the closure of many logistics companies in Delta State	34	40	16	12	72.5	27.5
Fuel subsidy removal has slowed down the speed of the logistics companies' service delivery in the Delta	18	22	35	27	39.2	60.8
Fuel subsidy removal has affected the distance or root cover by logistic companies in Delta State	20	17	33	32	36.3	63.7

Source: Field Work 2025

Table 2 shows the simple percentage analysis of the effect of fuel subsidy removal on logistics companies in Delta State. 100% of respondents agreed that fuel subsidy removal has negatively affected logistic companies in the Delta States, while none of the respondents disagreed with this. 72.5% of respondents agreed that fuel subsidy removal has led to the closure of many logistic companies in Delta State, while 27.5% of respondents disagreed. 39.2% of respondents agreed that fuel subsidy removal has slowed down the speed of logistic companies' service delivery in the Delta, while 60.8% of respondents disagreed. 36.3% of respondents agreed that fuel subsidy removal has affected the distance or root cover by logistic companies in Delta State, while 63.7% of respondents disagreed.

Table 3: Impact of fuel subsidy removal on the cost of running a logistics business in Delta State

Statements	SA	A	SD	D	%A	%D
Fuel subsidy removal has negatively affected the running cost of the logistics business in Delta State	48	54	0	0	100	0
Fuel subsidy removal has led to an increase in the price of service delivery by logistic companies in Delta State	46	45	5	6	89.2	10.8
Fuel subsidy removal has affected the profitability of logistics companies in Delta State	31	38	14	19	67.6	32.4
Logistics companies highly depend on fossil fuels for their business	39	63	0	0	100	0

Source: Field Work, 2025

Table 3 shows the simple percentage analysis of the impact of fuel subsidy removal on the cost of running a logistics business in Delta State. 100% of respondents agreed that fuel subsidy removal has negatively affected the running cost of the logistics business in Delta State, while none of the respondents disagreed with this. 89.2% of respondents agreed that fuel subsidy removal has led to an increase in the price of service delivery by logistic companies in Delta State, while 10.8% of respondents disagreed. 67.6% of respondents agreed that fuel subsidy removal has affected the profitability of logistic companies in Delta State, while 32.4% of respondents disagreed. 100% of respondents agreed that logistics companies highly depend on fossil fuels for their business, while none of the respondents disagreed with this.

Testing of Hypotheses

Hypothesis 1: There is no significant relationship between fuel subsidy removal and logistics companies in Delta State.

Table 4: Chi-square analysis of questionnaire for the relationship between fuel subsidy removal and logistics companies in Delta State.

Sources of Variation	Responses Observed	Expected	Df	X2-Cal	X2-Crit	Alpha Level	Decision
Strongly Agree (SA)	120	51.0					
Agree (A)	125	51.0					
			3	253.99	7.82	0.05	Significant Ho1 rejected
Strongly Disagree (SD)	84	51.0					
Disagree (D)	71	51.0					

Source: Field Work 2025

Table 4 shows that there is a significant relationship between fuel subsidy removal and logistics companies in Delta State. The calculated value of 253.99 is greater than the chi-square table value of 7.82. Thus, the null hypothesis is rejected. Therefore, there is a significant relationship between fuel subsidy removal and logistics companies in Delta State.

Hypothesis 2: There is no significant relationship between fuel subsidy removal and the cost of running a logistics business in Delta State.

Table 5: Chi-square analysis of questionnaire for the relationship between fuel subsidy removal and the cost of running a logistics business in Delta State.

Sources of Variation	Responses Observed	Expected	Df	X2-Cal	X2-Crit	Alpha Level	Decision

Strongly Agree (SA)	164	51.0					
Agree (A)	200	51.0					
			3	108.90	7.82	0.05	Significant Ho1 rejected
Strongly Disagree (SD)	19	51.0					
Disagree (D)	25	51.0					

Source: Fieldwork 2025

Table 5 shows that there is a significant relationship between fuel subsidy removal and the cost of running a logistics business in Delta State. The calculated value of 108.90 is greater than the chi-square table value of 7.82. Thus, the null hypothesis is rejected. Therefore, there is a significant relationship between fuel subsidy removal and the cost of running a logistics business in Delta State.

Discussion of Findings

Based on the analysis and testing of the hypotheses, the study finds that there is a significant relationship between fuel subsidy removal and logistics companies in Delta State. This was established through the findings that fuel subsidy removal has led to the closure of many logistic companies in Delta State, slowed down the speed of logistic companies' service delivery in Delta and has affected the distance or root cover by logistic companies in Delta State. The study also finds that there is a significant relationship between fuel subsidy removal and the cost of running a logistics business in Delta State. This was established through the findings that fuel subsidy removal has led to an increase in the price of service delivery by logistic companies in Delta State, has affected the profitability of logistic companies in Delta State, and logistic companies highly depend on fossil fuel for their business in Delta State.

Conclusion

From the findings, this study concluded that fuel subsidy removal has significantly affected logistics companies in Delta State by altering their operational agendas and business profitability. With the sharp increase in the pump price of fuel, transportation costs have soared, forcing logistics firms to increase service charges or fold up from business. This situation has strained profit margins and triggered a reevaluation of delivery models and route optimisation. Smaller logistics providers, in particular, face the risk of being pushed out of the market due to their limited capacity to absorb rising costs.

Recommendations

Considering the findings, discussion and conclusion of this study, the following are recommended:

1. It was recommended that the Government and industry stakeholders should initiate targeted support programs such as tax relief, grants, or subsidised loans to help logistics firms adjust to the new fuel pricing regime and sustain their operations.

2. It also recommends capacity-building initiatives and workforce training in fuel-efficient driving practices and fleet management as a way of significantly improving productivity and reducing the financial burden on logistics companies.

3. The study recommends strategic collaborations with local transport unions and other logistics providers to help in sharing costs and streamline services, ensuring better resilience in the face of economic fluctuations caused by subsidy reforms.

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