E-ISSN: 1116 - 2619 P-ISSN: 3026-8524
MPRI-JHLAR | INTERNATIONAL JOURNAL OF HUMANITIES, LITERATURE AND ART RESEARCH
VOL. 06 NO. 6 – OCTOBER, 2024

# EFFECT OF FUEL SUBSIDY REMOVAL ON THE NIGERIAN ECONOMY: A STUDY OF ADAMAWA CENTRAL SENATORIAL DISTRICT

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**DOI Unique ID:** 10.70382/mejhlar.v6i6.001

## Abstract

The paper examined the effect of fuel subsidy removal on the Nigerian Economy: A study of Adamawa Central Senatorial District. The economic development of a society is vital for the welfare, and satisfaction of the needs of members of the society. Since Nigeria's independence in 1960 to the current political dispensation, several efforts were made to accelerate economic development. However, in spite of several policies initiated and implemented in Nigeria, the country appears to be at the economic crossroad and faces a dilemma of economic development. Fuel subsidy is one of such policies initiated and implemented in Nigeria. The federal government operated fuel subsidy with the aim of making petroleum products available to cushion the effect of actual market prices of the product on the general populace for several decades. Recently, the removal of fuel subsidy has generated mixed reactions in the political process. The study utilized primary and secondary sources of data generation. Data were obtained from published and unpublished materials like books, magazines, journals, newspapers etc. The study revealed that the removal of the fuel subsidy has been met with considerable skepticism and concern among the public because government has not adequately addressed the implications of this policy change, particularly regarding transparency, social equity, and its economic benefits. The study therefore recommends the need to conduct comprehensive impact assessments before implementing policy

**Keywords:** Economy, effect, fuel, Nigerian, removal and subsidy.



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changes, like subsidy removal, is essential. These assessments should involve stakeholder consultations, particularly with communities that would be directly affected. Understanding the potential socio-economic implications of such changes can help the government make informed decisions and develop strategies that mitigate negative impacts on vulnerable populations.

## Introduction

Growing the economy has become the major objective of most government in the developing economies of the world. Over the years, these governments have adopted a number of measures aimed at accelerating growth and development in their domestic economy. The need to improve the living standard of the citizenry, reduce unemployment, increase capacity utilization which leads to increased productivity as well as increase in Foreign Exchange Earnings, etc has led to the introduction of diverse economic policies in Nigeria and other developing nations of the world.

In Nigeria's federalism, the federal government operated fuel subsidy with the aim of making petroleum products available to cushion the effect of actual market prices of the product on the general populace for several decades. During the military era, Nigerian government was of the opinion that the cost of production, transportation of fuel will be so much a heavy burden for the poor masses of Nigerians to bear alone and therefore decided to pay part of the total amount of fuel cost for every Nigerian in order to make the product available and affordable. This is actually what is referred to as fuel subsidy, that is the government paying part of the total amount of fuel cost. Government intention of cushioning the effect of actual market price of fuel product actually worked for a period of time. Gradually, the aim of the military government that introduced fuel subsidy was subdued and defeated.

The benefits of fuel subsidy to the average Nigerian was short lived. The federal government claim to have spent over #1.4 trillion on fuel subsidy in the past five years. It also claimed to be paying heavily to subsidize kerosene which is imported into the country through the Nigerian National Petroleum corporation (NNPC), the fuel subsidy policy has also bred several unintended consequences and practices such as smuggling of petroleum products out of the country, the federal government also claimed that the fuel subsidy policy has made them unable to tackle problems of our collective infrastructure which are the roads, power, agriculture, fixing the refineries among others.

The removal of fuel subsidies in Nigeria is a significant policy shift that has profound implications for the nation's economy. Fuel subsidies, designed to make petroleum products more affordable for consumers, have long burdened government finances, leading to budget deficits and distortions in the market. The removal of fuel subsidy by the Nigerian government raises lot of dust. It is the most talked about issue since the


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inception of democracy in Nigeria and it will go down in history as one of the most unpopular policies ever imposed on Nigerians. The protest and war of words that the policy generated pointed out glaringly the mistrust Nigerians, most especially the youths have for the government due to years upon years of failed promises and unaccomplished government polcies/programmes. Nigerians got a shocking new year gift from the federal government on January 1st 2012. They found long queues at the filling stations where petrol was sold above #65 per litre. Fuel subsidy removal which the federal government under the leadership of President Goodluck Ebele Jonathan has canvassed and lobbied for since he was sworm in last May 29, 2011 appeared to have finally got to the blast off stage. It was on Monday, December 12, 2011, that the National Economic Council headed by the Vice President Nnmadi Sambo decided that government should finally remove the subsidy come January 2012. The body consists of the vice president, governors, strategic ministers and central bank of Nigeria (CBN) claimed that subsidy removal had become inevitable to avert the collapse of Nigerian economy. Daily Sun (2012:18).

The withdrawal of fuel subsidy by the federal government generated heated debates by Nigerian Labour Congress (NLC) owing to its socio-economic implications on the nation's economy. The prices of goods and services rose, the cost of transportation also rose drastically even commercial motorcycle instantly adjusted their fares as roon as the subsidy removal was announced. Many artisan like welders, aluminum window filters, tailors, who cannot afford power generators are today out of work, many Nigerian youths have taken to riding commercial motorcycle and tricycle while others went into street hawtony just to keep body and soul together. The NLC and government workers went on strike which resulted the nation (Nigeria) to loose chose to $617 million daily, translating into about #100 billion, this removal also brought about mass poverty to Nigerians as the prices of goods and services increased while their income still remain constant, and also violent demonstration which distorted peace and tranquility in the country. Following the pronouncement, motorist who were traveling back to their various destinations after the new year and Christmas celebrations were hit by sudden likes on petrol prices. Prices rose dramatically ranging between #140 and #150 per litre and at between #170 to #200 on the black market. Omoniji (2012).

**Problem Statement**

As one of Africa's largest oil producers, Nigeria faces the paradox of high consumer fuel prices resulting from inefficient pricing mechanisms and corruption while struggling with inadequate infrastructure and service delivery. History has shown that Nigerian Rulers are very good in initiating programmes and giving it solid brand names, but implementations of such programmes have been nothing but sudden or complete loss. Since the grant of Nigeria independence in 1960, efforts at national development did not achieve expected


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results. Various sectors of the society are experiencing varying degrees of neglect and rot. The citizenry are faced with dehumanizing conditions such as: disease, hunger, illiteracy, poverty, among other maladies. In a bid to address the challenges bedevilling the country, subsidy pol[cy was introduced. The Nigerian economy has been subsidised in various ways for many years and this includes fuel, education, electricity, forex etc. Fuel subsidies began in the 1970s and became institutionalised 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 itself is noble, its administration in Nigeria has been plagued with serious allegations of corruption and mismanagement hence, leading to its removal.

Nigerians did not embrace the new policy of fuel subsidy removal by the federal government. Nigerians reacted negatively towards such policy. The Nigerian labour congress and government workers went on strike which made the nation (Nigeria) to lose a huge amount of money close to #100 billion naira during Goodluck Jonathan's administration (Emeh 2012).

Nigerians were traumatized by the news of the new policy and it brought about violent demonstrations which distorted the peace and tranquility of the country. It was these problems that prompted the researcher to carry a thorough research on the impact of fuel subsidy removal on the Nigerian economy. Fuel subsidy in Nigeria has been fraught with issues of corruption and inefficiency and palliatives have been suggested by some as a possible way to alleviate the suffering of those that will be most affected by subsidy removal. While palliatives may help to mitigate the immediate impact of rising prices such as cash transfers, provision of buses to the Labour Union or other forms of assistance. However, the effectiveness of palliatives depends on several factors. While palliatives can provide some relief to vulnerable households, it is difficult to identify and sufficiently cover the vulnerable population that will be most impacted, especially given the lack of reliable demographic data.

The removal of fuel subsidies in Nigeria carries specific implications for the Adamawa Central Senatorial District, a region characterized by its unique economic activities and socio-political landscape. As a predominantly agrarian area, the livelihoods of many residents in Adamawa Central are heavily dependent on agriculture, a sector that relies on affordable transportation and energy for both inputs and outputs. The increase in fuel prices following subsidy removal elevated transportation and production costs, consequently impacting local farmers and businesses by squeezing profit margins and increasing the cost of goods sold. Furthermore, the resultant rise in inflation exacerbated the already existing challenges of poverty and food insecurity in the district, disproportionately affecting the lower-income households that form the majority of the population. Additionally, Adamawa Central is home to numerous small-scale enterprises

that are still struggling to absorb the increased operational costs stemming from higher fuel prices. This led to reduced economic activity, job losses, and greater reliance on government support programs, thereby straining local resources. The removal of fuel subsidy by the federal government engendered mass poverty because the price of goods and services increased while the income of people still remained constant.

**Objectives of the Study**

The objective of this study is to look into the effect of fuel subsidy removal on the Nigerian economy with emphasis on Adamawa Central Senatorial District. The specific objectives are:

1. To assess the rational for the removal of fuel subsidy by the federal government.
2. To assess what petrol subsidy removal portend for the Nigerian economy.
3. To assess the failure or success of the oil subsidy regime.

**Research Questions**

The research questions are:

1. Was the fuel subsidy regime useful to a majority of Nigerians?
2. Was the federal government reasonable in removing the subsidy on fuel?
3. What does the fuel subsidy removal portend for Nigerians?

**Literature Review**

**Introduction**

This section reviews relevant and related literatures on the research topic. The review of the related literatures was divided into conceptual, theoretical and empirical review. The views, opinion, comments and statements made by various writers and scholars in Journals, Text books, Articles etc. on subsidy, fuel subsidy policy, fuel subsidy removal and Nigerian economy were reviewed.

**Conceptual Issues**

The concept of Subsidy Policy is defined in several ways, because it covers a whole range of activities. As a result, different authors have come up with different definitions which reflect their special interest in the field.

**Concept of Subsidy**

According to the Academics Dictionary of Economics (2006), subsidy can be defined as the cash incentive given by the government to an industry with a view to lower the price of the product of the concerned industry and to raise its competitive power. This may be given as a counter balancing measure to the imposition of the custom duty (In the nature


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of protection duty) by an importing country government. One important objective of subsidy is to keep its prices below the cost of production. Subsidy can be defined as a financial assistance to certain products or category of industry so that the price will be low and hopefully continue to provide jobs and spin off economic activity. Subsidies have been around for ages and it comes in many forms such as cash, labour form, export, consumption, education, housing etc (Cohen, 2007). A subsidy is any measure that keeps prices consumers pay for a good or produce below market level for consumer or for producers. Subsidies take different forms, these include grants, tax reductions and exemptions or price controls. Others affect prices or cost indirectly such as regulations that skew the market price in favour of a particular fuel, government. Sponsored technology, or research and development (Alozie 2009).

A subsidy or government incentive is a type of government expenditure targeted towards individuals and households, as well as businesses with the aim of stabilising the economy. It ensures that individuals and households are viable by having access to essential goods and services while giving businesses the opportunity to stay afloat and competitive. Subsidies not only promote long term economic stability but also help governments to respond to economic shocks during a recession or in response to unforeseen shocks. Subsidies take various forms such as direct government expenditures, tax incentives, soft loans, price support, and government provision of goods and services. For instance, the government may distribute direct payment subsidies to individuals and households during an economic downturn in order to help its citizens pay their bills and to stimulate economic activity.

**Genesis of Fuel Price increase in Nigeria**

The history of the fuel price increase in Nigeria dates back to 1973 when Gowon increased fuel from 6k to 8.45k (about 40.8% increase). Murtala Mohammed also increased it in 1976 from 8.45 to 9k (about 0.59% increase). Obasanjo also increased it again on October 1, 1978 from 9k to 15.3k (about 70% increase). Shehu Shagari also increased it on April 20th from 15.3k to 20k (about 30.71% increase). Ibrahim Babangida also increased the fuel price on March 31st 1986 from 20k to 39.5k (95.5% increase). He also increase it on April 10, 1988 from 39.5k to 42k (6.33% increase). On January 1, 1989, he increased the price from 42k to 60k (although the regime said it was for private vehicle only but the price remained 42k for commercial vehicles). On December 19, 1989, he also moved it to a uniform price of 60k (42.86%). On March 6; 1991, the price of a litre increased from 60k to 70k (16.67% increase) and that was the price when Babangida Ibrahim stepped aside in August 1993.

Chief Enerst Shonekan increased the price of a litre of fuel from 70k to #5 (614% increase) on November 8, 1993 but a hectic mass protest saw Abacha take over power. The incoming Abacha regime reduced the increment to #3.25 on November 22 1993. On

October 2nd 1994 the Abacha Junted increased the price of fuel to #15 from #3.25 (361.54% increase). But after massive street protest, the regime reduced the increment to #11 on October 4, 1994. That was the price until Abacha passed on 8th of June 1998 and the Abdul Salami Abubakar caretaker regime raised the price from #11 to #25 (127.27% increase) on Dec 20, 1998 and after days of sustained protest, it was forced to reduce the increment to #20 on January 6th, 1999.

The Obasanjo presidency adopted fuel subsidy as the bedrock of its economic policy, for no sooner than it was sworn in that it affected an increment to #30 (50% increase) on June 1, 2000 but protest and mass rejection forced it to reduce the increment to #25 on June 8, 2000 and further down to #22 (-10%) on June 13, 2000. The regime was again to increase the price to #26 (18.18%) on January 1, 2002 and again to #42 (23.08% increase) on June 2003.

On May 29th 2004 Obasanjo increased it from #42 to #50 (19.05% increase). On August 25th 2004 it rose from #50 to #65 (30% increase). On May 27th 2007, it rose again from #65 to #75 (15.38% increase).

Yaradua's regime/government reduced it to #65 in June 2007 after general protest against the new price regime. Although the Yaradua government made effort to increase the price of petroleum products it could not scale through following increased mass disapproval for such act. The Goodluck Jonathan administration has said it is fuel subsidy removal or nothing else, when he increased it from #65 to #141 on January 1, 2012 and after much violent demonstrations by Nigerians, he later reduced it to #97. The Buhari administration in spite mass disapproval increased pump price to #161 per litre. The Ahmed Bola Tinubu administration increased petrol price to #617 per litre. This engendered mixed reactions across Nigeria as inflation skyrocketed.

**Fuel Subsidy**

Fuel subsidy is a government programme created to reduce how much Nigerians have to pay for petroleum motor spirit (PMS), automotive Gas Oil (Diesel), and to protect the citizens from crude oil volatility on the international market. Fuel subsidy is particularly popular in oil producing countries a such as Venezuela, Kuwait, china, Taiwan, south Korea, Trinidad, Tobago, Brunei, Nigeria etc. It can also be referred to the effort by the government to pay for the difference between the price of fuel in the pump and the actual cost of the product. So by paying the difference, the government enables fuel to be sold at a lower price so that it will help alleviate the burden on its people especially the lower income group. Fuel subsidy was before the coming of the Jonathan's administration, a policy of federal government meant to assist the people of Nigeria to cushion the effects of their economic hardship. Conceptually, fuel subsidy seeks to enhance financial capacity but also to accept the implied financial losses by it in the spirit of its national responsibility


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to ensure the well being of the populace. In other words, if product, like duel is to sell for #141 per litre, but for some considerations. It cannot be sold at that rate but at #97, this simply means that there is a subsidy to the tune of #85 for every litre purchased at the filling stations (Emeh, 2012).

**Nigerian Economy**

The pre-capitalist economic arrangement in Africa before the advent of the British colonial administration was largely agrarian. Art and craft, trans-Atlantic slave-trade and commerce were the other dominant occupations. According to Osaghae (1994), the exposure of Africans to European trans-Atlantic traders brought to the fore foreign commercial interests who dominated and consequently sidelined craftsmen and peasant producers. Agriculture was the main-stay of the rural economy. It employed over 70 percent of the rural inhabitants, besides providing food for over the same number of people. Under colonial rule, it was the chief revenue earner for the country. However, before long, imperialist domination of the pre-capitalist mode of production aided capitalist penetration and the development of its forces of production (Osaghae, 2011).

Arguably, Nigeria is the most populous black nation in the World. Relative to its size and population, the major element of power which surface in the period after the civil war was oil. Before the discovery of oil, Nigeria was a lay being giant destined to lead Africa but was incapacitated by a large but rural and predominantly illiterate population, numerous religious and ethnic groups turn apart by divisive forces with hardly any common loyalties, an economy which was basically agrarian, poor and limited potentials but with petrol dollars, Nigeria has abundance of opportunities and capacity to transform her stations. However, it is sad and highly regrettable that after over 50 years of exploration and sale of oil in commercial quantity with much impetus from the Middle East crisis when oil prices quadrupled from mere US$5 to US$20 per barrel (Okigbo, 1994), there is little or nothing to show for it in terms of standard of living of the people.

Indeed, such variations along ethnic and religious lines are not in themselves issues of conflict except when instrumentalized by its followers to realize their personal or group interests. Often, these conflicts have threatened the continued existence of the country with intra and inter communal clashes and sectarianism and religious crisis as currently being witnessed across the country. In recent times, the emergence of militia groups such as the Niger Delta militants and the likes, and the religious sect like Boko Haram has brought once more to the fore religious revivalism in the match towards democratic governance. The incorporation of Nigeria into the world capitalist order led to the development of its forces of production. But this has been carried out not in ways that favour craft making and commercial agriculture. On the contrary, it has grown in ways which met the requirements of commercial capitalism. Thus, Williams (1980) argued that

the development of indigenous capitalism limited the development of peasant production. Unfortunately, Nigeria lacks the essential conditions which produce and promote indigenous capitalists. Attempts by the state to do this have led to shifting resources from more competitive to less competitive producers, from craft to factory production, from agriculture to industry, from rural to urban areas, from the poor to the rich, and from the Nigerians to foreigners. It has hardly given free rain to the ability of people to produce goods. It has promoted the wealth of the nation, but only by the impoverishment of the people (Williams, 1980).

The capitalist model introduced into Nigeria's economy distorted the pre-capitalist mode and forces of production to the extent that Nigerians have lost the initiative in organizing and directing their economic development from within. More often than not, economic policies are either received from Europe and America or fashioned along development in the capitalist or ex-metropolitan countries.

The three (Eastern, Northern and Western) regions that the country started out with became known worldwide for the production of different cash crops. According to Williams (1980) and Okigbo (1987), there was a healthy rivalry among the country's regions, each of which was export crop specific: palm produce in the East, groundnut and cotton in the North, cocoa in the West, and when the Mid-West region was created, it became a major producer of rubber. With revenue from these products, the various regional governments were able to meet, in varying degrees, their responsibilities to the people.

Invariably, the advent of oil and its exploration in commercial quantity was supposed to change the economic system in the country. However, it appears in the negative direction. Oil was first discovered in Oloibiri, a town in Bayelsa State in the late 50s. Since then, the Niger-Delta region has become the most prolific oil producing region in Nigeria. Oil accounts for over ninety (90) percent of government external earnings. Consequently, it has displaced agriculture hitherto, the mainstay of the dominant rural economy. According to Osaghae (2011), two very important implications could be deduced from -193- this development in the economy. First it stultifies the growth of non-state capitalism. Secondly, it led to a largely extractionist economy run by a state that has become a rentier one.

Graf (1988) posits that state revenue comes from rents on production of oil rather than production activities. To worsen the crisis in this emergent economic model, Osaghae (2011) argued that, it has —limited the scope of the state's autonomous economic action which largely explain the externalization of the efforts to arrest the economic declinell since the 80s after a period of oil boom. State institutions have become hot-beds of corruption and waste of monumental proportions (Igbokwe-Ibeto & Okoye, 2014). These developments have politics to be sought for as an end in itself rather than means to

pursue the social concerns of the citizenry. The incorporation of the nation's economy into the World capitalist system albeit to play a second fiddle, has compounded the crisis of its political economy.

**The Effect of Fuel Subsidy Removal on Nigerian Economy**

The removal of the fuel subsidy has equally affected the cost of commodities at various markets in Nigeria, even commercial motorcyclists instantly adjusted their fares as soon as the subsidy removal was announced. The prices of goods and services rose, there is no assurance that the landlords will not increase rents when they have families to feed too. PHCN, schools, hospitals, organizations and other employers might want to pay their workers more to enable them cope with the even higher cost of living. Owing to this policy, they also experienced the increase of school fees, electrical tariff, hospital bills etc this means that more children will drop out of school owning to their parents inability to pay their tuition fees, more of the sick will die in the hospital or home because they are unable to afford the hospital bills or medicines as food takes priority causing untold hardship for the citizens.

Another possible implication of the subsidy removal is on the security of Nigerians. Its awkward timing when Nigerians are divided along religious and ethnic lines does not augur well for peace and security of the country. The morale and the mass protest that followed the subsidy removal would provide a conducive conditions for Boko Haram to carryout more attacks, recruit and radicalize more youths, particularly those that will be that direct victims of the subsidy removal. The removal further isolated the government from the people and caused so much agitation, violent demonstration in Nigeria that may in turn provide more support for Boko Haram, particularly by those seeking revenge or to hit back at the government. To worsen the situation the salaries and wags of workers have remained constant not even the so-called minimum wage for workers has been implemented at least to alleviate the plight of inflation for the ordinary citizens.

Artisans and technicians who rely on (PMS)petrol motor spirit to power generators to earn their daily meal will be forced to pass the cost to customers where this is feasible. Otherwise, they will be forced to close shops, with the consequent implication for unemployment- one of the evils the government says subsidy removal will fight. Also considered critical to the economy as the fuel subsidy issue is the provision of employment for teeming Nigerian graduates being churned out yearly by tertiary institutions, unemployment has resulted in so much brain-drain that there are so many Nigerians working in and contributing to the development of other countries. But since it is not everybody that has the ability to leave the shores of the country, unemployment has continued to rise in the country. According to Saladden (2011:6) the national unemployment rate rose from 4.3% in 19700 t 6.4% in 1980. 40% in 1992 and 41.6% in 2011.


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The high rate of unemployment recorded last year is attributed largely to depression in the economy. As identified earlier, over the years, hundreds of factories that hitherto provided employment to graduates and artisan have collapse. This is because energy supply which serves as the main engine of production has been comatose, many artisan like welders, aluminum window filters, tailor, who cannot afford power generators are today out of work. In desperation, many Nigerian youths have taken to riding commercial motorcycle and tricycle while others went into street hawking just to keep body and soul together.

Another effect of this policy was the anti-subsidy protest which may weaken the already fragile Nigerian economy. Employers of labour have warned of the implication of protest over the removal of fuel subsidy. Fuel subsidy removal reduces government borrowing and the associated huge deficit. Fuel subsidy has been a major source of government expenditure in Nigeria, with huge sums being spent annually to keep petrol prices artificially low. This has led to the government borrowing heavily to finance the subsidy, which in turn increases the country's deficit. By removing the subsidy, the government can reduce its borrowing and the associated huge deficit, freeing up resources for other important sectors. Further more Free resources for investment in other critical sectors With the removal of fuel subsidy, the government can free up resources that would have been spent on the subsidy to invest in other critical sectors such as education, healthcare, security and infrastructure. This will not only improve the standard of living for citizens but also enhance economic growth.

Removal of fuel subsidy removes incentive for smuggling and associated security risk. Subsidy has created a huge incentive for smuggling of fuel to neighbouring countries where they can be sold at higher prices. This has resulted in security risks, as smuggling has also led to illegal refining, pipeline vandalism, and other criminal activities. By removing the subsidy, the incentive for smuggling will be reduced, which will lead to a reduction in investment flow to the downstream sector. Removal of subsidy will create an enabling environment for private sector investment in the downstream sector, leading to the development of local refineries and the creation of jobs. This will enhance the country's energy security and reduce dependence on imported petroleum products. Fuel subsidy removal encourages more profitable downstream players. Along with the increase in investment flow to the downstream sector, deregulation of the downstream sector will stimulate increased activities that will lead to increase in investment flow to the downstream sector, deregulation of the downstream sector will stimulate increased activities that will lead to more profitable downstream companies. This will result in improved tax revenue both from the companies, their employees, vendors and other players across the value chain.


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**Challenges of Funding Fuel Subsidy in Nigeria**

i. **Unsustainable financial cost of subsidy**:

According to the World Bank, Nigeria's total revenue in 2000 was USD10.8 billion. By 2010, this amount increased to USD 67.9 billion. Yet the Nigerian government has spent over USD 30 billion on fuel subsidies over the past 18 years. This has had a significant impact on funds available for critical infrastructure and other essential sectors such as education, health, and defence. According to the Debt Management Office, the country's public debt stock is being increased as the government had to borrow N1trn to finance fuel subsidy in the year 2022.

ii. **Economic distortion:**

According to a report, households in the bottom 40% of the income distribution account for less than 3% of all fuel purchases. Furthermore, it is reported that three-quarters of all fuel sold in Nigeria is consumed by private firms, public transportation services, government agencies, and other businesses. Most vehicles used for carrying large numbers of people (such as *molue*) and goods are diesel powered which is already deregulated. Also, Household Kerosene which is mostly used by the poor is no longer subsidised, meaning that the poor are already to a large extent paying market prices for their fuel. This effectively means that the government is subsidising mostly those who can afford fuel (PMS) at market rates and not the poorest of the poor who need subsidy.

iii. **Smuggling**

The porous borders between Nigeria and neighbouring countries have created an enterprise for smugglers who purchase large volumes of petrol at a subsidised rate in Nigeria and sell at market prices in neighbouring countries. In June 2022, the Managing Director of NNPC Limited indicated that daily consumption of PMS had increased to over 103 million litres per day and that at least 58 million litres were being smuggled. This means that smugglers and other West African countries benefit more from fuel subsidy than Nigerians. A report published by Chapel Hill Denham, estimates that 15.64 million litres of petrol are smuggled out of Nigeria daily as the retail price of Nigerian petroleum products on average is 3.7 times cheaper than those of its neighbours, and this has given smugglers undue opportunities for arbitrage. The Nigeria Customs Service also affirmed that PMS was being smuggled out of the country in large quantities after it has been subsidised by the Federal Government, adding that the petroleum product is being diverted to some neighbouring countries.

iv. **Reduction of Endemic corruption:**


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The subsidy point for fuel is importation (or supply) rather than at the pump for eligible users only. Subsidy in the current form encourages arbitrage and other forms of corruption. Its removal will reduce corruption in the oil sector in Nigeria.

v. **Investment:**

Nearly 70 years after the discovery of crude oil in commercial quantity in Nigeria, Nigeria's oil and gas downstream sector is yet to develop to the desired levels, despite the recent enactment of the Petroleum Industry Act (PIA). The downstream sector of the oil and gas industry had the least foreign direct investment compared to the midstream and upstream sectors, and the reason for this is not far-fetched. The current subsidy regime and the legal framework of the downstream sector generally discourages investments. The downstream sector needs full deregulation if it would attract more private investors, and one of the impediments that will need to be removed upon full implementation of the Petroleum Industry Act is fuel subsidy.

vi. **Climate Change Commitments:**

At the COP26 which was held in Glasgow, Scotland in 2021, the then President of Nigeria, Muhammadu Buhari signed the Climate Pact thus committing Nigeria to achieving net zero emissions by 2060. A week after the conference, President Buhari signed the Climate Change Bill into law demonstrating the country's commitment to truly achieve net zero carbon emissions. It is a contradiction for a country to subsidise consumption of fossil fuel while at the same time seeking to reduce the country's carbon footprint. Rather than subsidising fossil fuel, the country should encourage green and renewable energy.

**Theoretical Framework**

Several theoretical platforms could prove heuristic for analyzing issues germane to the paper especially in the social and management sciences where perspectives often differ based on a scholar‘s orientation and worldview. It is in the light of the foregoing that we undertake this enterprise. Some of these include: theory of the two publics, political economy theory, state-society relations theory, public choice theory, political institutionalization theory, to mention but a few. In the pursuit of the core values of democracy as captured in our conceptualization of democracy, political economy and public choice theories come out forcefully.

**The political economy theory**

The political economy theory explains the neo-classical market reform into which the greater part of the liberal world has fallen, driven by economic liberalization which is


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another word for capitalism. It is seen as the best way to allocate resources without human intervention (see for example Osaghae, 1994).

**The public choice theory**

The public choice theory is concerned with public goods and services which are provided by government instead of the market. Ayee (2008) posits that political society is made up of self-seeking individuals who pursue either their self interests or those of the interest groups they belong. It also, assumes that —citizens provide rulers or the state with resources and power for which they expect a return of goods and services as well as laws regulating society in return for what they are giving up (Akhakpe, 2014).

According to Ayee (2008), it is imperative to note that that government sometimes makes irrational decisions because public officers are rent-seeking and inhibits the achievement of public interests. In the oil industry for example, the theory helps to broaden our understanding of the power of vested interests who oppose the reform of the oil and gas sector and how existing policies in the industry and political relationship they engender, have frustrated major changes in the industry‘s status quo. However, all theories are born refuted; the public choice theory is not an exception. It fails to tell us how power seeking motivations of policy makers, develop or change over time and space (Rapley, 2007). Yet, what is economically rational may not be practically expedient. Therefore, in practice, the theory may not work in the developing countries.

**Methodology**

Polit and Hungler (1999) described research design as a blueprint, or outline, for conducting the study in such a way that maximum control was exercised over factors that could interfere with the validity of the research result. The research design is the researcher's overall plan for obtaining answers to the research questions guiding the study. Burns and Groove (2001:223) state that designing a study helps the researchers to plan, and implement the study in a way that will help them obtain the intended results, thus increasing the chances of obtaining information that could be associated with the real situation.

Therefore, research design is a plan which guides a researcher and prevents him/her from veering off-course in the process of collecting, presenting analyzing and interpreting data. It is logical model of proof that allows the researcher to draw inferences concerning causal relations among the variables under investigation. The basic research design that was employed in this study is survey design. The choice of this design is chosen due to the fact that it enriches the data collection.

This study was based on both primary and secondary sources of data generation. Under primary source, data was generated via a structured questionnaire medium and personal


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interview technique to elicit firsthand information while secondary data was obtained from published and unpublished materials like books, magazines, journals, newspapers etc. which the researchers find useful for the purpose of this study.

**Result and discussion**

A total of 412 copies of questionnaire were distributed; 388 were successfully returned and valid, representing 94.2%, while 24 were not returned, representing 5.8%. The rate of return is greater than the minimum mark specified by Rogelburg and Staton (2007), who opined that a response rate of 35%–40% is appropriate for studies conducted at the organizational level and 50% for studies that are conducted at the individual level using survey design. Based on this principle, the response rate is therefore considered perfect for this study, and the analysis is also based on 388 instruments that were successfully retrieved.

**Table 1: Descriptive Analysis of whether the fuel subsidy regime is useful to majority of Nigerians**

| Variables | N | Min. | Max. | Mean | Std. D |
|---|---|---|---|---|---|
| **The fuel subsidy regime benefited a majority of Nigerians** | 388 | 1 | 5 | 4.43 | 0.86 |
| **The fuel subsidy provided significant relief to low-income households in Nigeria** | 388 | 1 | 5 | 4.17 | 0.74 |
| **The fuel subsidy improved the standard of living for most Nigerians** | 388 | 1 | 5 | 4.18 | 0.94 |
| **Most Nigerians had better access to affordable fuel during the fuel subsidy regime** | 388 | 1 | 5 | 4.23 | 0.87 |
| **The removal of the fuel subsidy has negatively impacted the majority of Nigerians** | 388 | 1 | 5 | 4.12 | 0.90 |
| **The fuel subsidy regime helped in stabilizing fuel prices for Nigerian consumers** | 388 | 1 | 5 | 4.00 | 0.95 |
| **Corruption undermined the potential benefits of the fuel subsidy for most Nigerians** | 388 | 1 | 5 | 4.09 | 0.93 |
| **The fuel subsidy regime promoted economic equality in Nigeria** | 388 | 1 | 5 | 4.06 | 0.93 |
| **Most Nigerians would support the reinstatement of the fuel subsidy regime** | 388 | 1 | 5 | 4.21 | 0.88 |
| **Alternative policies would have been more effective than the fuel subsidy for Nigerians** | 388 | 1 | 5 | 4.12 | 0.90 |


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|---|---|---|---|---|---|
| Does the fuel subsidy regime useful to majority of Nigerians variables total score (5-50) | | | | **41.61** | |

**Source: Field Survey, (2024).**

Table 1 evaluate the perceptions of respondents on whether the fuel subsidy regime is useful to majority of Nigerians, the result in table 1 revealed that the majority of respondents perceive the subsidy positively, as indicated by high mean scores across various statements. The total score of 41.61 out of a possible 50 suggests a strong consensus regarding the benefits of the subsidy for the population.

Respondents overwhelmingly believe that the fuel subsidy regime has benefited a majority of Nigerians, with a mean score of 4.43. This sentiment extends to perceptions that the subsidy has provided significant relief to low-income households, reflected in a mean of 4.17. Additionally, many agree that the subsidy improved the standard of living for most Nigerians, with a similar score of 4.18. Access to affordable fuel is another area where the subsidy is viewed favorably, as indicated by a mean of 4.23, highlighting its crucial role in daily living.

Conversely, the removal of the subsidy is seen as having negatively impacted most Nigerians, evidenced by a mean score of 4.12. This highlighted growing concerns about current economic conditions in the absence of the subsidy. Furthermore, respondents feel that the subsidy played a significant role in stabilizing fuel prices, with a mean score of 4.00, reinforcing the public's support for its continuation.

Corruption is acknowledged as a significant issue that undermined the potential benefits of the subsidy, as reflected in the mean score of 4.09. Additionally, there is a belief that the subsidy contributed to promoting economic equality in Nigeria, as indicated by a mean of 4.06. Notably, a substantial portion of the population supports the reinstatement of the subsidy, with a mean score of 4.21, highlighting its perceived importance in the socio-economic landscape.

**Table 2: Descriptive Analysis of the federal government reasonable in removing the subsidy on fuel**

| Variables | N | Min. | Max. | Mean | Std. D |
|---|---|---|---|---|---|
| **The removal of the fuel subsidy was not necessary step for economic reform** | 388 | 1 | 5 | 4.27 | 0.82 |
| **The government didn't provide sufficient information before removing the fuel subsidy** | 388 | 1 | 5 | 4.09 | 0.92 |
| **The removal of the fuel subsidy will not ultimately benefit the country's economy** | 388 | 1 | 5 | 4.07 | 0.96 |


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|---|---|---|---|---|---|
| **The government was not justified in removing the fuel subsidy despite the potential increase in fuel prices** | 388 | 1 | 5 | 3.99 | 0.94 |
| **The removal of the fuel subsidy will not improve transparency and reduce corruption in the fuel industry** | 388 | 1 | 5 | 4.09 | 0.87 |
| **The government didn't implement adequate measures to mitigate the impact of the subsidy removal on the poor and vulnerable** | 388 | 1 | 5 | 3.98 | 0.93 |
| **I believe the removal of the fuel subsidy was the best course of action for long-term national development** | 388 | 1 | 5 | 3.97 | 0.99 |
| **The government has not provided enough alternatives (e.g., public transportation, energy options) to compensate for the subsidy removal** | 388 | 1 | 5 | 3.89 | 0.97 |
| **The removal of the fuel subsidy has led to an unacceptable increase in the cost of living** | 388 | 1 | 5 | 4.04 | 0.93 |
| **I didn't trust the federal government to effectively manage the savings generated from the removal of the fuel subsidy** | 388 | 1 | 5 | 4.09 | 0.92 |
| The federal government reasonable in removing the subsidy on fuel variables total score (5-50) | | | | **40.48** | |

**(Source: Computed using SPSS 21. 2024)**

Table 2 evaluate the perceptions of respondents on federal government reasonable in removing the subsidy on fuel, the provided data reveals significant public sentiment regarding the removal of the fuel subsidy, based on responses from 388 participants. Overall, the findings indicate a prevalent discontent surrounding this policy change, with most mean scores exceeding 4.0. The highest mean score of 4.27 suggests that many respondents believe the removal of the subsidy was not a necessary step for economic reform, highlighting a strong skepticism about the government's rationale for this decision.

Concerns about the government's communication and justification for the subsidy removal are evident. With a mean score of 4.09, respondents expressed that the government did not provide sufficient information prior to the removal, reflecting a desire for greater transparency and clarity. This lack of information appears to correlate with a broader belief that the subsidy removal will not ultimately benefit the economy, as indicated by a mean score of 4.07. The public's skepticism is further emphasized by the

score of 3.99, which suggests that many do not view the government's justification for the subsidy removal as valid.

The data also highlights significant concerns about the impact on vulnerable populations. A mean score of 3.98 indicates that respondents believe the government failed to implement adequate measures to mitigate the negative effects of the subsidy removal on poorer households. This raises questions about social equity and the government's responsibility in protecting its most vulnerable citizens during economic reforms.

Trust in the federal government emerges as a critical issue, with a mean score of 4.09 indicating widespread distrust regarding the government's ability to effectively manage the savings generated from the subsidy removal. This distrust may hinder future reforms, as public confidence is essential for successful implementation of economic policies. Additionally, respondents expressed concerns about the rising cost of living, with a mean score of 4.04 suggesting that many believe the subsidy removal has led to unacceptable increases in daily expenses. Coupled with a mean score of 3.89 regarding the lack of adequate alternatives provided by the government, these findings indicate a significant gap in policy that could exacerbate public discontent and further challenge the government's credibility.

The data highlighted that the removal of the fuel subsidy has been met with considerable skepticism and concern among the public. The high mean scores across various categories reflect a collective belief that the government has not adequately addressed the implications of this policy change, particularly regarding transparency, social equity, and its economic benefits.

**Table 3: Descriptive Analysis of what does the fuel subsidy removal portend for Nigerians**

| Variables | N | Min. | Max. | Mean | Std. D |
|---|---|---|---|---|---|
| **The removal of the fuel subsidy will increase the cost of transportation for Nigerians** | 388 | 1 | 5 | 3.94 | 1.02 |
| **Fuel subsidy removal will negatively impact the cost of goods and services in Nigeria** | 388 | 1 | 5 | 4.02 | 1.41 |
| **Fuel subsidy removal will contribute to inflation in the economy** | 388 | 1 | 5 | 3.91 | 0.98 |
| **The removal of fuel subsidies will lead to increased hardship for low-income Nigerians** | 388 | 1 | 5 | 3.92 | 1.03 |
| **Government should have introduced social safety nets before removing the fuel subsidy** | 388 | 1 | 5 | 3.77 | 1.07 |


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|---|---|---|---|---|---|
| **The removal of the fuel subsidy will allow the government to redirect funds to other sectors like education and healthcare** | 388 | 1 | 5 | 3.90 | 0.97 |
| **Fuel subsidy removal will attract more investment into Nigeria's oil and gas sector** | 388 | 1 | 5 | 3.79 | 1.02 |
| **The removal of the fuel subsidy will lead to better management and transparency in the oil and gas industry** | 388 | 1 | 5 | 3.90 | 0.94 |
| **Nigerians will benefit in the long run from the removal of the fuel subsidy** | 388 | 1 | 5 | 3.87 | 1.01 |
| **The fuel subsidy removal will widen the gap between the rich and the poor in Nigeria** | 388 | 1 | 5 | 4.06 | 0.95 |
| **Government has adequately explained the reasons for removing the fuel subsidy to Nigerians** | 388 | 1 | 5 | 4.01 | 1.00 |
| **The removal of the fuel subsidy will lead to increased accountability in government spending** | 388 | 1 | 5 | 4.07 | 0.96 |
| what does the fuel subsidy removal portend for Nigerians variables total score (5-60) | | | | **47.16** | |

**(Source: Computed using SPSS 21. 2024)**

Table 3 evaluates the perceptions of respondents on what does the fuel subsidy removal portend for Nigerians, the result in table 3 revealed that overall, the average scores across the various statements indicate a generally negative perception of the policy change, particularly concerning its immediate impact on transportation costs, inflation, and hardship for low-income individuals. With mean scores above 3.90 for several key variables, it is evident that a significant portion of the population anticipates increased financial strain as a direct consequence of the subsidy removal.

One of the most pressing concerns highlighted in the data is the anticipated rise in transportation costs, which received a mean score of 3.94. Coupled with the belief that the subsidy removal will negatively affect the cost of goods and services (mean = 4.02) and contribute to inflation (mean = 3.91), these findings reflect widespread fears of economic instability. Respondents seem to worry that the immediate effects of the subsidy removal will exacerbate existing financial pressures, particularly for low-income households.

In light of these concerns, many respondents expressed the opinion that the government should have established social safety nets prior to implementing the subsidy removal

(mean = 3.77). This sentiment underscores the necessity for a more considerate approach to managing the transition, emphasizing the need for protective measures to support vulnerable populations during this period of change.

Despite these immediate concerns, there are indications that some respondents hold a more optimistic view regarding the long-term implications of the subsidy removal. For instance, the belief that it could lead to better allocation of funds to critical sectors like education and healthcare (mean = 3.90) and improved management within the oil and gas industry (mean = 3.90) suggests that some see potential benefits if the government can effectively manage the transition. Additionally, a strong belief in increased accountability in government spending (mean = 4.07) reflects a hope that the removal might actually lead to better fiscal management.

Interestingly, the perception that the government has adequately communicated the reasons behind the subsidy removal (mean = 4.01) indicates that while many concerns persist, the government's narrative may have been somewhat effective in justifying the policy change to the public. This aspect of communication may play a crucial role in shaping public acceptance and understanding of the subsidy removal.

The total score of 47.16 out of a possible 60 reflects a moderately negative sentiment regarding the overall implications of the fuel subsidy removal. While there are acknowledged benefits, the predominant feeling among respondents is one of caution and skepticism about both the immediate and long-term effects on the population, particularly among economically disadvantaged groups. The data highlights the importance of government transparency and the urgent need for social safety measures to mitigate potential adverse effects, ensuring that vulnerable populations are not left behind during this significant policy shift.

**Summary of Findings**

i. The findings revealed that corruption is acknowledged as a significant issue that undermined the potential benefits of the subsidy. Notably, a substantial portion of the population supports the reinstatement of the subsidy, highlighting its perceived importance in the socio-economic landscape.

ii. In addition, the study revealed that the removal of the fuel subsidy has been met with considerable skepticism and concern among the public because government has not adequately addressed the implications of this policy change, particularly regarding transparency, social equity, and its economic benefits.

iii. Lastly, the study revealed a moderately negative sentiment regarding the overall implications of the fuel subsidy removal. While there are acknowledged benefits, the predominant feeling among respondents is one of caution and skepticism


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about both the immediate and long-term effects on the population, particularly among economically disadvantaged groups.

**Conclusion**

The study examined the effect of fuel subsidy removal on Nigerian economy with emphasis on Adamawa Central Senatorial District. After several decades of Nigeria's nationhood, implementation of fuel subsidy policy did not accelerate economic development of the country. The findings of the study highlight the complex interplay between corruption, economic equality, and public sentiment regarding the fuel subsidy in Nigeria. The significant concerns about corruption indicate a critical barrier to realizing the subsidy's potential benefits of the policy.

Moreover, the belief that the subsidy promotes economic equality reflects a widespread recognition of its potential role in alleviating disparities within the population. The strong public support for reinstating the subsidy underscores its perceived importance in fostering a more equitable economic landscape. This sentiment suggests that many citizens view the subsidy as a vital tool for social welfare, particularly for vulnerable groups who may be disproportionately affected by its removal.

Ultimately, the skepticism surrounding the removal of the fuel subsidy points to a broader concern about the government's ability to manage policy changes effectively. As the public expresses caution regarding the implications of this shift, it becomes evident that transparent communication and substantial measures to mitigate negative impacts are essential.

**Recommendations**

i. To address the concerns raised in the study, enhancing transparency and accountability in the management of subsidies is crucial. The government should implement robust measures, such as regular audits and public reporting on fund allocation, to ensure that resources are used effectively.

ii. Given the strong public support for the fuel subsidy, reinstating it—with necessary reforms—should be considered. This approach would involve creating a more transparent distribution process and targeting the subsidy specifically toward economically disadvantaged groups. By doing so, the government can maximize the benefits of the subsidy while minimizing opportunities for corruption, thereby addressing public concerns about equity and fairness.

iii. Additionally, conducting comprehensive impact assessments before implementing policy changes, like subsidy removal, is essential. These assessments should involve stakeholder consultations, particularly with communities that would be directly affected. Understanding the potential socio-

economic implications of such changes can help the government make informed decisions and develop strategies that mitigate negative impacts on vulnerable populations.

## CONFLICT OF INTEREST

Authors declare that there is no conflict of interest.

## FUNDING

This study was funded by Tertiary Education Trust Fund (TETFund) with Institution Based Research (IBR) reference number (TEFT/DR&D/UNI/MUBI/RG/2023/VOL.1). through Adamawa State University Mubi.

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