

An Ex-Ray of Fuel Subsidy Removal and Deepening of Poverty Among Vulnerable People in Nigeria

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Abstract

Fuel subsidy remains one of the most intricate and complex socio-economic policy issues in Nigeria, this is because Nigeria is a mono cultural economy and whatever take place in the oil sector has a multiplier effect on other sectors of the economy. The study is focus to Ex-ray fuel subsidy removal and the deepening of poverty in Nigeria. Secondary source of data was adopted in the study. The study found that fuel subsidy removal has significant effect on the deepening poverty among Nigerian. The study therefore recommended that government of Nigeria should provide palliatives that will alleviate the lingering poverty caused by fuel subsidy removal.

Keywords: *Fuel Subsidy Removal, Poverty, Socio-economic, Transportation, Agricultural Productivity, Livelihood.*

1.1 Background to the Study

Globally, poverty and hunger has increasingly become an epidemic problem all over the world. Countries in the world have attempted to implement one policy or the other to cushion the effect of poverty on their citizen by subsidizing the cost of goods and services. Fuel subsidy is typically

implemented by governments to reduce the cost of fuel for citizens, with the intention of improving economic development, reducing poverty and inequality, and maintaining social stability. However, the removal has resulted to unintended consequences, including fiscal strain on government budgets, market distortions, environmental degradation, and inefficiencies in the resource allocation.

For example, Canada has provided subsidies to the oil and gas industry, including direct financial support, tax incentives, and favorable regulatory policies. These subsidies have been a subject of argument and debate, with critics arguing that they undermine efforts to address climate change and promote the transition to clean energy (Global Subsidies Initiative, 2016). Furthermore, Egypt has also experienced fuel subsidy, with the government heavily subsidizing petroleum products such as gasoline, diesel, and cooking gas. However, these subsidies have strained or disposition government finances and contributed to budget deficits. In recent time, the Egyptian government has implemented various reforms to reduce fuel and liberalize energy prices, aiming to improve fiscal sustainability and promote economic efficiency (International Monetary Fund, 2018).

In Nigeria, the prevailing state of poverty in the country, which has attained an endemic status is becoming worrisome paving ways for social vices. The prevailing state of poverty in Nigeria has attain an unenviable status such that no government (no matter the level), Organisation, Community, Clan or Family can survive effectively without introducing one kind of poverty reduction effort or the other. Fuel subsidy is one of the most significant policies by the federal government to alleviate or reduce the incessant level of poverty in Nigeria. Fuel as a product in Nigeria has its demand and supply to be inelastic in nature, which means that it is very uneasy for consumers to find alternatives to the use of gasoline, kerosene or diesel in their daily lives and activities.

Furthermore, Nigeria as a country has refineries with an installed production capacity of 445,000 barrels of fuel per day. The country has a relatively small industrial base and demand for fuel is solely or driven mainly by domestic use and transportation. As a net importer of fuel products, 80% of petrol imported into Nigeria is subject to price regimes in the international markets.

Ajakaiye and Jerome (2018) in their studies found that the removal of fuel subsidies in 2012 led to a higher in fuel prices and transportation costs, which disproportionately affected the vulnerable, particularly in the remote areas where access to public transportation is limited.

In addition, the removal of fuel subsidy has significantly affected transportation costs, agricultural productivity, household budgets, local businesses, and community well-being. Therefore, any alter in fuel prices due to subsidy removal are likely to have significant implications for the livelihoods of residents in Nigeria especially the vulnerable. Also, commuters, farmers, business operators and traders who rely heavily on motorbikes, tricycles, and commercial vehicles for transportation experience an increase or hike in fares, reducing their disposable income. This, in turn, affects their capability to access essential services and conduct economic activities.

Similarly, Oyinlola and Adetutu (2019) analyzed the impact of fuel subsidy removal on household welfare using household survey data and reveal that the removal of fuel subsidies led to a decline in real income for low-income households, pushing some households further into abject poverty. One potential and significant outcome of fuel subsidy removal is the increase in government revenue, as the savings from subsidy removal can be redirected towards other critical sectors such as security, education, healthcare services, and social welfare programs targeted at the less privilege. However,

the effectiveness of these programs in mitigating the adverse effects of fuel subsidy removal on poverty depends on their design, targeting mechanisms, and implementation capacity.

Agriculture is an important and Inevitable sector in Nigeria, contributing to food security and livelihoods. Beyond this and however, the removal of fuel subsidy has increased the cost of agricultural inputs such as fertilizers, pesticides, and mechanized farming equipment, thereby constraining agricultural productivity. Vulnerable Farmers in Nigeria struggle to afford these inputs, leading to lower yields and income. The persistence of recent removal of fuel subsidy have exacerbates the financial burden on households, especially those with low incomes. These forced the vulnerable Nigerian to prioritize fuel expenses over other essential needs such as food, healthcare, and education, thereby paving way for poverty and economic vulnerability. It is against this backdrop that this research tends to X-ray the effects of fuel subsidy on the deepening of poverty in Nigeria.

1.2 Statement of Problem

Fuel subsidy remains one of the most complex socio-economic policy issues in Nigeria, nevertheless, this is because Nigeria is a mono cultural economy and whatever occur in the oil sector has a multiplier and significant effect on other sectors of the economy. It is seen as a social and fundamental duty of the government to the economically disadvantage citizen, particularly the vulnerable.

Despite the extreme and colossal number of resources committed to petroleum subsidy, the poverty situation heightened worse, and more and more people fall into the poverty status instead of escaping from it. This has made the present government of Asiwaju Ahmed Tinubu to take a U-turn and embark on the regime of deregulation of the downstream sector via outright removal of fuel Subsidy. Hence, the attendant situation that follows this policy is an escalation of the Inflation Rate and Gross Unemployment which does increased the misery index the hardship on the citizenry.

According to the Nigerian National Petroleum Corporation (NNPC, 2012), the removal of fuel subsidy in 2012 resulted in an immediate 100% increase in fuel prices. This hike in price of fuel affects the transportation costs, production costs for businesses, and ultimately, the unbearable cost of living for the vulnerable. According to the National Bureau of Statistics (NBS), Nigeria experienced a spike in inflation following the removal of fuel subsidies in 2012. In January 2012, the inflation rate surged to 12.6%, up from 10.3% in December 2011 (NBS, 2012). This inflationary pressure wears away the purchasing power of consumers, particularly those with lower incomes, exacerbating poverty levels.

Vulnerable households in Nigeria spend a significant portion of their income on fuel and transportation. According to the World Bank, low-income households in Nigeria allocate approximately 20-25% of their budget to fuel and transportation expenses (World Bank, 2019). Therefore, any changes in fuel prices due to subsidy removal directly affects the disposable income of these households, potentially pushing them further into abject poverty.

1.3 Research Question

- i. What is the effect of Fuel Subsidy Removal on the deepening of poverty in Nigeria?

1.4 Objective of the Study

- i. To examine effect of Fuel Subsidy Removal on the deepening of poverty in Nigeria

1.5 Significance of the Study

This research holds empirical significance as it significantly contributes to the existing body of knowledge on the fuel subsidy removal and poverty levels among the vulnerable in Nigeria. The findings of this study can offer a basis for policy formulation and intervention strategies aimed at mitigating the adverse effects of fuel subsidy removal on vulnerable populations in similar contexts.

The theoretical significance of this study contributes to the Nigerian understanding of the complex dynamics between fuel subsidy removal and poverty in Nigeria. This study enriches theoretical frameworks related to poverty alleviation, economic development, and public policy. The findings of this study can inform theoretical models and frameworks used by policymakers, researchers, and development practitioners to address poverty and promote inclusive growth in rural areas affected by fuel subsidy removal.

The practical significance of this study also lies in its potential to inform policy and decision-making processes aimed at addressing poverty and promoting sustainable development in Nigerian and similar states and rural communities. By identifying the specific impacts of fuel subsidy removal on poverty levels, household livelihoods, and local businesses, this study provides actionable insights for policymakers, government agencies, and development organizations to design targeted interventions and support mechanisms. The findings of this study can inform the development and implementation of poverty reduction strategies, social protection programs, and economic empowerment initiatives tailored to the needs of rural communities affected by fuel subsidy removal.

2.0 LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1 Fuel Subsidy

Fuel subsidy can be properly view as the effort of government in paying for the difference between the pump price of fuel at the petrol station and the actual cost of importation of the product. So, by subsidizing, the government allows fuel to be sold at affordable or lower price so as to help ease the burden of its citizens especially the vulnerable group. It is a grant of financial support from the government to maintain the low price of petroleum products (Civic Keypoint, 2023). Subsidy exists when government helps the consumers of a particular product to pay a price lower than the prevailing market price of that commodity (Kadiri & Lawal, 2016).

Agu et al., (2018) in his work view it as a kind of market manipulation whereby government fixes the price of the commodity below its actual market price and pay the difference to the retailers. In this case, the government decides or fix the pump price of fuel below the actual market price and the difference is paid to the importers and marketers by the government. Fuel subsidy represents a complex and multifaceted policy instrument that cut across various economic, social, and political considerations. While it is often justified on the grounds of promoting energy affordability and social welfare, fuel subsidy equally entails significant economic costs, market distortions, and environmental externalities. In a familiar term, fuel subsidy helped to lessen the burden of vulnerable

Nigerian in the aspect of affordability of goods and services, as such, the debate surrounding fuel subsidy emphasizes the need for evidence-based policymaking, comprehensive cost-benefit analysis, and targeted social protection target to address energy poverty and promote sustainable development. However, Davis, & Kilian (2011) defined Fuel subsidy can be defined as a form of government intervention in the energy market, where policymakers provide financial assistance or price subsidies to fuel producers or distributors with the aim of reducing the cost of fuel for consumers. This intervention measure is often implemented through direct subsidies, tax breaks, or price controls, and is typically targeted at specific fuel products such as diesel, or liquefied petroleum gas (LPG). Fuel subsidy is grounded in the principles of market intervention and economic regulation. It reflects a deliberate policy choice by governments to influence fuel prices and consumption patterns in pursuit of various socio-economic objectives, including promoting energy affordability, supporting domestic industries, mitigating inflationary pressures, and addressing social equity concerns.

According to EIA, (2021), the historical origins of fuel subsidy can be traced back to the early 20th century, with the rise of the automobile industry and the growing importance of oil as a strategic resource, governments initially introduced fuel subsidies as a means of promoting or fostering industrial development, stimulating economic growth, and ensuring energy security during periods of geopolitical instability.

However, the justification and scope of fuel subsidies have developed over time in response to unstable economic conditions, technological advancements, and policy priorities. In the post-World War II era, fuel subsidy became more prevalent as governments sought to support domestic industries, maintain social stability, and promote economic development through affordable energy access. Despite the purported achievement, fuel subsidy has been subject to widespread criticism and controversy, with critics arguing that they can lead to market distortions, fiscal imbalances, and environmental degradation. One of the primary criticisms of fuel subsidy is their regressive nature, as they tend to be at advantage to the wealthier consumers who consume more energy-intensive goods and services.

2.2 Fuel Subsidy Removal in Nigeria

In a general parlance, Fuel subsidy removal is a complex policy decision undertaken by governments to address economic, fiscal, and social challenges associated with subsidizing the cost of fuel for consumers. Fuel subsidy is often implemented by governments to artificially lower the cost of fuel for consumers, with the aim of promoting energy affordability, stimulating economic growth, and enhancing social welfare. However, fuel subsidy removal is sometimes deemed inevitable due to several factors: Fuel subsidy strain of government budgets and lead to fiscal imbalances, particularly in resource-dependent economies where volatile oil prices can impede revenue streams and increase subsidy expenditures. In addition, it also created market interruption, inefficiencies, and rent-seeking behavior in energy markets, as they persuade investment in alternative energy sources, promote wasteful consumption patterns, and create perverse incentives for fuel smuggling and corruption. Fuel subsidies often lead to overconsumption of fossil fuels, exacerbating environmental degradation and climate change. By artificially lowering the cost of fuel, subsidies can discourage energy conservation efforts and hinder the transition to cleaner and more sustainable energy sources.

From an economic perspective, fuel subsidy removal is often justified as a means of promoting fiscal sustainability, market efficiency, and resource allocation. Fuel subsidy impose a significant financial

burden on government budgets, diverting resources away from critical social programs and infrastructure investments that could benefit rural communities. By removing fuel subsidy, governments can redirect funds towards poverty alleviation initiatives, social protection programs, and targeted interventions aimed at improving the welfare of rural populations (Aigbokhan, 2014).

Moreover, emphasized the market distortions and inefficiencies connected with fuel subsidy, which can hinder or deprive economic growth and sustainability. This discourages investment and perpetuate rent-seeking behavior in energy markets. In other hand, removing fuel subsidy can create a more level playing field for businesses, encourage competition, and stimulate entrepreneurship in rural areas, thereby promoting economic development and job creation opportunities for impoverished communities (Olomola, 2015).

From a social welfare perspective, fuel subsidy removal raises alarm because of its impact on the living standards, access to essential services, and well-being of vulnerable households. Studies suggest that fuel subsidy removal can lead to an immediate increase in transportation costs for vulnerable people, who rely heavily on fuel for agricultural activities, access to markets, and basic mobility needs. This can exacerbate poverty levels and deepen economic inequalities and limited alternative transportation options and face higher costs of living compared.

Furthermore, scholars argue that fuel subsidy removal may posed unintended consequences on social welfare outcomes, such as food insecurity, malnutrition, and reduced access to healthcare and education services in Nigeria. This is because vulnerable bear the brunt of higher fuel prices, as they allocate a larger share of their limited income towards transportation expenses, leaving less money for other essential needs (Oyinlola & Adetutu 2019).

Aliyu, & Bello (2023) in their study emphasize the need for governments to adopt a holistic approach to poverty alleviation, combining fuel subsidy reforms with social protection programs, agricultural investments, infrastructure development, and rural empowerment initiatives to address the root causes of rural poverty and promote inclusive growth and development. This implies that removing fuel subsidy without adequate scheme will do more harm than good to the vulnerable individual in the society thereby giving room to all form of social vices in the country.

2.3 Impact of Fuel Subsidy Removal on Vulnerable Populations

The removal of fuel subsidy posed profound social consequences, particularly for the vulnerable population. Study conducted by Rentschler (2016) highlights the regional variation of poverty effects due to fossil fuel subsidy reform, emphasizing how such reforms can disproportionately impact certain regions and communities. The fuel subsidy in Nigeria have drastically reduces the incessant levels of poverty among the vulnerable population and its recent removal have created an indelible situation for the poor. These developments echo the findings of Rentschler (2016), showing how subsidy reforms can lead to varying regional impacts on poverty levels. In the case of Nigeria, the removal of fuel subsidy has led to an increase in prices, particularly affecting poor and economically insecure households. As petrol prices have now tripled following the subsidy removal, these vulnerable households, who directly or indirectly rely on petrol consumption, are adversely affected.

Ovaga and Okechukwu, (2012) in their studies delved into the downstream oil sector and its impact on the masses, offering further comprehensive understanding of subsidy-related consequences. The

recent data reveals that Nigeria's inflation rate has pushed to a significant increase in poverty levels, with an estimated four million people falling into poverty between January and May 2023. Moreover, the removal of fuel subsidy has exacerbated the situation, with about 7.1 million poor Nigerians at risk of becoming even poorer if the government does not provide the adequate measures or palliatives (World Bank, 2023). The immediate consequence of this price hike is an equivalent income loss of ₦5,700 per month for poor and economically insecure individual. Without compensation, an additional 7.1 million people could be pushed into poverty, exacerbating an already dire poverty situation (World Bank, 2023). This corresponds with the findings of Mmadu and Akan (2013), who delved in to how inefficient subsidies in the oil sector can impact household welfare.

In addition, the removal of subsidy can lead to consequential coping strategies among the poor and economically insecure persons. These strategies may include cutting back on essential services such as education and healthcare, or compromising on nutritional choices (World Bank, 2023). To mitigate these adverse effects on vulnerable populations, the World Bank raise the need for adequate compensation and transfer mechanisms. Such compensating transfers can protect or shield households from the initial price impacts of subsidy reform and provide essential support to those at danger of falling deeper into poverty.

2.4 Concept of Poverty

There are numerous approaches to the study of the concept of poverty. Poverty as an indication sign of economic inequality is multi-dimensional. According to study Crossman (2019), he views poverty as a social condition that is characterized by the lack of resources necessary for basic survival or necessary to meet a certain minimum level of living standards expected for the place where one lives. This implies that that, the income level that ascertain or determines poverty state varies from place to place, so social scientists like Sociologists and Economists believe in this assumption that poverty is best defined by conditions or state of existence, like lack of adequate access to food, clothing, and shelter. Thus, people in poverty conditions typically experience persistent famine or starvation, lack or total absent of quality education and health care accessibility, and are usually alienated from mainstream society.

From an economic concept, poverty is view in terms of income or consumption levels of individual below a certain threshold, which is lack of the capacity to meet basic needs for food, shelter, clothing, and healthcare. Economists use poverty lines or poverty thresholds to determine or quantify and measure poverty level of individual or country concerned, with variations in methodology and thresholds across countries and regions. Apparently, poverty is individual lack the necessary resources and incapable to afford the basic fundamental needs.

Amartya Sen, a renowned economist and Nobel laureate, introduced the concept of "capability deprivation" to understand poverty beyond income or material deprivation. Sen, in his words state that poverty should be understood in terms of individuals' capabilities to function effectively in society and pursue a life they value. This capability approach underscores the importance of access to education, healthcare, social services, and opportunities for participation in economic and social life as key determinants of well-being and poverty alleviation. Sen, (1999).

In a related vein, sociological perspective of poverty is conceptualized as a social phenomenon shaped by structural factors, social institutions, and power dynamics within societies. Sociologists

concern about the role of social stratification, inequality, and social exclusion in perpetuating poverty and limiting opportunities for marginalized groups.

In a similar context, Karl Marx (1867), a prominent sociologist and philosopher, viewed poverty as a consequence of capitalist exploitation, where the working class (proletariat) is systematically denied or marginalized and deprived of the fruits of their labor by the capitalist class (bourgeoisie). Marx proves that poverty is a structural feature of capitalist societies, motivated by unequal distribution of wealth, means of production, and power relations.

From an anthropological field of study, poverty is understood in cultural and relational terms, underlining the social and cultural interpretation attached to material deprivation and social exclusion. Anthropologists study poverty as an un-static process shaped by cultural norms, values, and social networks within communities. Lewis, (1966), an influential anthropologist, introduced the concept of "culture of poverty" to defined the intergenerational transmission of poverty and social marginalization within certain communities. In the work of Lewis, poverty is not limited a material condition but also a cultural and psychological state characterized by learned behaviors, attitudes, and coping mechanisms passed down through generations.

From a development perspective, poverty is seen as a multidimensional issue that goes beyond income or material discrimination, deprivation to circumnavigate broader dimensions of human well-being, social justice, and sustainable development. These scholars pinpointed the importance of addressing structural inequalities, promoting social inclusion, and empowering marginalized groups to reduce the lingering poverty and achieve sustainable development goals.

The United Nations Development Programme (UNDP,2020) introduced the concept of "human development" to measure and promote progress beyond income indicators, incorporating dimensions such as education, health, gender equality, and environmental sustainability. The Human Development Index (HDI) measures human development based on indicators of life expectancy, education, and per capita income, providing a more holistic and multidimensional assessment of well-being and poverty.

2.5 Fuel Subsidy Removal and the Poverty Level of Nigerian

The removal of fuel subsidy in Nigeria has been a subject of debate owing to the fact that it has consequences for various sectors of the economy, including its potential effects on poverty levels among the vulnerable in Nigeria. Nigeria as a country is predominantly agrarian with agriculture as the main economic activity. The removal of fuel subsidy has posed significant implications for the livelihoods and poverty levels of Nigerian. In Nigeria, the price of fuel is considered as the determinant factors of the cost of living, as it is used by all including small businesses and many households considering the unstable electricity supply in Nigeria. Thus, any hike in fuel price could directly and immediately affect the prices of goods and services across the country. There is also the psychological impact that it tends to have because of the strong sentiment attached to low and affordable petrol. When petrol prices are hiked, small businesses tend to raise their prices to cover the increased cost of operation which can lead to higher prices for consumers. This can make it more uneasy and difficult for people to afford basic necessities and leading to a decrease in the standard of living and by implications contribute to poverty and inequality.

A study by Oluwatoyin et al. (2023), in their work affirmed that the removal of fuel subsidy has led to high price of transportation costs in Nigeria thereby influencing the mobility and accessibility of Nigerian. They state that the removal of fuel subsidy has resulted to 30% hike in transportation costs, making it difficult for residents, especially low-income earners, to access essential services and economic opportunities.

Furthermore, Ibrahim and Adeola (2024), in their study affirm that fuel subsidy removal has negatively impacted agricultural productivity and livelihoods among the vulnerable Nigerian. This is because farmers in the area rely on fuel for mechanized farming, transportation of produce, and irrigation systems. However, the increase in fuel prices following subsidy removal has mandated higher production costs, reduced farm yields, and income losses among the vulnerable farmers in Nigeria.

2.6 Challenges Caused by Fuel Subsidy Removal in Nigeria

Fuel subsidy removal is a recent policy decision that has significant implications for local economies in Nigeria. Fuel subsidy removal has posed significant trauma across various dimensions, including the economy, society, and the environment. Economic challenges such as increased transportation costs, reduced agricultural productivity, and business disruptions have affected livelihoods and income generation opportunities for rural residents. Social challenges such as limited access to education and healthcare services, social unrest, and protests have emphasized social cohesion and community resilience.

Economic Challenges

Fuel subsidy removal has posed potential economic challenges that have affected small and medium businesses, transportation, and agricultural activities. The recent removal of fuel subsidy has made transportation fare surged, particularly affecting the vulnerable Nigerians who rely on motorbikes, commercial buses, and other forms of public transportation for commuting, accessing markets, and transporting goods and services. This hike in transportation costs has made it difficult for household budgets and reduced disposable income for rural households, leading to less purchasing power and lower standards of living. The agricultural sector being the primary sector of the country heavily relies on affordable fuel for farming activities such as land preparation, planting, irrigation, and transportation of agricultural products and inputs.

Oyinlola, & Adetutu, (2019), the removal of fuel subsidies has resulted in higher operational costs for farmers, reducing their profitability and competitiveness in the local market. This has deprived or hindered agricultural productivity and income generation opportunities, aggravating poverty levels and food insecurity among rural households. Small and medium scale enterprises including retail shops, eateries, and service providers, have also been adversely affected by the removal of fuel subsidy. The hike in transportation costs, coupled with rising input of costs and inflationary pressures, have squeezed or affected profit margins for businesses, leading to temporary or permanent closures, downsizing, and layoffs. This has further spilled up unemployment and underemployment rates in the local economy, contributing to social and economic vices in the country (Aliyu, & Bello (2023).

Social Challenges

The social challenges of Fuel subsidy removal lie on its effect to the households, communities, and vulnerable populations. The hike in the transportation services has deprived access to education and healthcare services for rural residents, particularly children, women, and the elderly. Many families are unable to afford transportation fare to access schools, clinics, and hospitals, leading to decreased school enrollment, higher dropout rates, and limited access to essential healthcare services. This has long-term consequences for human capital development and public health outcomes in the community (World Bank, 2019). This has sparked social vices and staged protests as residents voice their grievances against incessant fuel hikes, inflation, and deteriorating standard of living. These protests have frequently escalated into violent confrontations with law enforcement agencies, leading to upheaval and total disruptions of public laws and order, damage to properties, and threats to community safety. All these social tensions and conflicts have exerted social cohesion and community resilience, undermining efforts to foster peace and stability.

2.7 Measures to Cushion the Effects of Fuel Subsidy Removal in Nigeria

As Nigeria bids farewell to fuel subsidy, a critical question keeps lingering, which is how can the nation navigate the potential aftermath and mitigate the far-reaching effects of this significance decision? The removal of fuel subsidy, while designed to foster economic development and address structural inefficiencies, presents both challenges and opportunities. With the potential for increased fuel hikes, inflationary pressures, and socioeconomic inequality, it becomes essential for the government and stakeholders to adopt comprehensive measures that soften the blow and safeguard the interests of the most vulnerable segments of the society. In light of this, Iwuzo (2023) upholds the following measures that the Nigerian government can adopt to address the socio-economic effects of the removal of fuel subsidy particularly on vulnerable Nigerians.

Provision of Subsidized Transportation System and Mass Transit: Transport vouchers provide subsidy or discounts on public transportation fares, making them more affordable for commuters. Likewise, by improving and expanding public transportation networks, individuals can rely on mass transit systems instead of using their own vehicles, thereby reducing their dependence on fuel and reducing the cost increase resulting from subsidy removal. This aid in mitigating the impact of rising fuel prices and reduces the burden on individuals who heavily rely on transportation services for their daily activities. In addition, public transportation, particularly when adequately planned and implemented, can be more cost-effective than private vehicle ownership. Besides reducing the financial burden connected with purchasing fuel, it can also reduce related costs, including vehicle maintenance, insurance, and parking fees. This cost reduction can offset the effect of hiked fuel prices and help individuals adjust or cope with the subsidy removal (Iwuzo, 2023).

Tax removal System and reduction on food importation and distribution: Removing or reducing taxes on food importation is another strategy that can help mitigate the socio-economic effect of the subsidy removal. An increase in fuel prices, which directly results from the subsidy removal, will lead to economic inflation and an increase in market prices. This may make it more difficult for minimum-wage and low-income earners to afford basic things like food. This issue can be partly addressed by reducing or removing taxes, whether temporarily or permanently, on food importation and other necessities. Lower food prices can provide relief to consumers, especially since a lot of Nigerian essentials are imported. By providing tax incentives for food importation, it becomes more economically viable to import them. This helps ensure an adequate supply of food in the market,

mitigating potential shortages or price spikes that could occur due to disruptions in local production caused by increased fuel prices. Tax incentives on food imports ensure that essential food items remain affordable and accessible to the population, particularly low-income individuals who may be disproportionately affected by fuel price increases. Mitigating the impact of fuel subsidy removal on inflation is crucial. By reducing taxes on food importation, the overall cost of goods and services can be moderated. However, it is important to note that the specific design and implementation of tax removal and rebates should be carefully planned to ensure their effectiveness and prevent unintended consequences, such as revenue shortfalls or dependency on imports (Iwuzo, 2023).

Transforming Rural Electrification Energy: Rural electrification helped to mitigate the dependency on fuel imports and vulnerability to fluctuations in fuel prices. By advancing local renewable energy sources, such as solar or wind power, rural communities can become more self-dependent and less reliant on imported fuels. It necessitated access to electricity, which lower reliance on traditional energy sources such as diesel generators or kerosene lamps. Ultimately, this reduces the demand for fuel consumption and reduces the impact of fuel price increases resulting from subsidy removal (Iwuzo, 2023). Access to electricity in rural areas also encourage economic productivity. It allows for the establishment and growth of small businesses, agricultural activities, and cottage industries that rely on electricity for operations. This, in turn, contributes to income generation and mitigate dependence on fuel-intensive activities.

Implementing Cash Transfer Policy Scheme: Cash transfers provide direct financial support to individuals and households, which can help offset the increased cost of living resulting from the removal of fuel subsidy. Beneficiaries can use the cash to cover the additional expenses associated with higher fuel prices, such as transportation costs, food, and other essential goods. It provides a regular and predictable income stream, allowing beneficiaries to smooth their consumption patterns. This means they can support more stable standard of living and manage their finances better in the face of higher fuel prices, helping them cope with the economic percussions caused by the removal the fuel subsidy (Iwuzo, 2023). Cash transfers also enhance the establishment of social safety nets, providing a form of social protection for individuals and households. This scheme act as a cushion during times of economic shocks, such as this subsidy removal, and help cushion the negative effect of such shocks, particularly for vulnerable groups. This ensures that individuals do not fall victim of deeper poverty and can maintain a certain level of financial stability (Iwuzo, 2023).

Revaluation and regular implementation of minimum wage: A higher minimum wage means that workers have higher income at their disposal. This increased purchasing power can aid individuals and households better absorb the hike in fuel costs and provide more financial capacity to cover transportation expenses and other essential needs. Raising the minimum wage can help reduce income inequality and address wage disparities. It ensures that low-wage workers receive a fairer share of economic growth and prosperity. By narrowing the income gap, individuals at the lower end of the wage scale are less likely to be disproportionately burdened by fuel price increases. It is essential to note that the effectiveness of an increase in the minimum wage in mitigating the effects of fuel subsidy removal lies on various factors, such as the magnitude of the wage increase, the prevailing cost of living, and the overall economic conditions (Iwuzo, 2023). In nutshell, adequate and careful consideration should be given to the potential impact on employment and the sustainability of businesses, particularly small and medium scale enterprises, to ensure a balanced approach to economic stability and social welfare.

2.8 Theoretical Framework

This study adopted Price Elasticity of Demand Theory propounded by Professor Alfred Marshall in 1890. According to Marshall, the elasticity or responsiveness of demand in a market is great or small according as the amount demanded increases much or little for a given fall in price and diminishes much or little for a given rise in price. This implies that the Elasticity of Demand is the statistical explanation of the proportional change in demand due to the factors that affect it. It is the responsiveness of demand due to change in price. Price elasticity of demand theory explains both the conditions of whether an increase in price or decrease in it has its effect on the quantity demanded less and more as the case may be. Despite the fact that this theory has been criticized by prominent American Economist, Professor Samuelson who refer the concept of elasticity as essentially arbitrary and of 'no consequence' and as a 'mental exercise for beginning students', it is still hold great relevance to the this study in terms of both sociological and economic analysis as it serves as a tool for explaining certain economic policies such as removal of fuel subsidy with its multiplier effects on poverty level among the vulnerable in Nigeria (Yunusa, Yakubu, Emeje, Ibrahim, Stephen & Egbunu, 2023).

3. Methodology

This study is case study qualitative research that employs the descriptive research design. The population of the study comprises of public sectors in Nigeria. The various public institution and the actors responsible for implementing policies constitute the sample. The data sampling techniques is the purposive/ judgmental non probability sampling technique. Data used for this research were sourced from secondary data such as journals, books and historical documents both on the internet and libraries. Data was analyzed using content analysis technique.

4. Findings of the Study

The study found that Fuel Subsidy Removal has deepening the level of poverty in Nigeria.

5.1 Summary

Fuel subsidy is majorly implemented by government to lower the cost of fuel for consumers, with the intention of fostering economic growth, reducing poverty, and maintaining social stability. However, fuel subsidy in Nigeria often has unintended consequences, including fiscal strain on government budgets, market distortions and inefficiencies in resource allocation. In recent time, there has been a growing and significant recognition of the negative effects of fuel subsidy on both the economy and government budget. This development led the government to take U turn to remove fuel subsidy while fuel subsidy removal may offer potential benefits in terms of fiscal sustainability and market efficiency, it also poses significant and potential challenges to the vulnerable Nigerian as it affects livelihoods, social welfare, and poverty alleviation efforts.

5.2 Conclusion

The removal of fuel subsidy has had significant potential and adverse effects on the poverty level of Nigerian. The study found that the removal has led to higher transportation costs, reduced agricultural productivity, increased household financial burdens, and a decline in local businesses and economic activity.

5.3 Recommendation

The study therefore recommended that government of Nigeria should prioritize the welfare of the Nigerian by providing palliatives that will alleviate the lingering poverty caused by fuel subsidy removal.

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