FUEL SUBSIDY REMOVAL AND GOVERNMENT POLICY ON POVERTY ALLEVIATION IN NIGERIA (2015 – 2023)

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ABSTRACT
The study has tried to find out the impact of fuel subsidy on government poverty alleviation policies. Successive governments in Nigeria have announced reduction in the amount of subsidy it is paying on petroleum products persistently. The study used qualitative data in its investigation. The study found out that fuel subsidy removal had both positive and negative impact on the governments' poverty alleviation policies. The study recommends that government should put adequate measures on ground in order to ensure that fuel subsidy removal do not have adverse effect on its poverty alleviation policies because poverty alleviation policies are essentially tools in addressing the impact of fuel subsidy removal.

Introduction

Successive governments in Nigeria have attempted to to implement subsidy in different aspects of the economy in order to mitigate the economic impact of certain policies on the citizenry.

Subsidies are government interventions to reduce the impact of government policies or to support the ability of citizens to benefit from certain services.

According to Schwartz and Clements (1999) is any government assistance that allows consumers to purchase goods and services at prices lower than that offered by a perfectly competitive private sector or that raise producers' incomes beyond those that would be earned without intervention.

In Nigeria, successive governments have consciously lowered the price of fuel in order to allow citizens of the country who are major consumers of fuel to buy the product at lower prices. Producers and marketers are paid the extra deficit involved in selling petroleum products.

Subsidies can also be viewed as best given to an individual, business or institution usually by government to remove some kind of burden and it is often considered to be in the overall interest of the public given to promote a social good or an economic policy (Scott &Kvilhaug,2024).

Subsidy can be direct or indirect. Subsidies exist because the government fixes the price of petrol for consumers below the international price and use government resources to pay for the difference (Mccullough, Moerenhout &Yang, 2021).

Onyeiwu (2024) fuel subsidies have been in place in Nigeria since the 1970's when the government sold fuel to Nigerians at a price below the cost price at the international market even though most consumers were not aware of

this. He emphasised that the 1977 Price Control Act made it illegal for some products including petrol to be sold above the regulated price.

It is important to note that Chief Olusegun Obasanjo the former Executive President of Nigeria is credited with establishing the Price Control Act when he was military Head of State in 1977 to cushion the effects of inflation caused by worldwide increase in energy prices. Fuel subsidy was subsequent therefore on governments attempt to shield Nigerian consumers from the volatility of fuel prices in the international oil market.

Since fuel subsidy was institutionalized as a government policy in 1977, whenever the subsidy payment regime is adjusted by government this usually has impact on the price of goods and services since Nigeria largely depends on fuel in all sectors of its economy ranging from agriculture, commerce, transportation, industry and others (Onyewu,2024).

Objectives of the Study

The general objective of this paper is to investigate the impact of fuel subsidy removal on poverty alleviation policy of government. The specific objectives however include:

1. To find out impact of fuel subsidy removal on poverty alleviation policy of government
2. To identify government poverty alleviation policies and how it has been impacted by fuel subsidy removal

Methodology

The study adopted qualitative data to carry out the research. Content analysis was deployed and secondary source of data was implored, these include books by several scholars on development, underdevelopment, and democracy. Journals and other research work were equally consulted.

Theoretical Framework

The sustainable livelihood approach has been adopted for this study. The idea of sustainable livelihood approach was first introduced by the Brutland Commission on Environment and Development and the 1992 United Nations Conference on Environment and Development expand the concept advocating for the achievement of sustainable livelihoods as a broad goal for poverty eradication.

Chambers and Conway (1992) defined sustainable livelihoods as the capabilities, assets (stores, resources, claims and access) and activities required for a means of living. They emphasized that that a livelihood is sustainable which can cope with and recover from shocks, maintain or enhance its capabilities and assets and provide sustainable livelihood opportunities for the next generation which invariably contributes net benefits to other livelihoods at the local and global levels and in the short and long term.

The Sustainable Livelihood Approach (SL) has three underpinning insights about poverty which include:

1. That while economic growth may be essential for poverty reduction, there is no automatic relationship between the two;
2. That poverty as conceived by the poor themselves is not just a recognition of low income, but also include other dimensions such as bad health, illiteracy, lack of social services as well as a state of vulnerability and feelings of powerlessness in general.
3. The poor themselves know their situation and needs best and must therefore be involved in the design of the policies and project intended to better their lot (Krantz,20001).

Since government policy on poverty is geared towards its reduction and alleviation the sustainable livelihood approach is relevant to the study as its definition by United Nations Development Programme (UNDP) supports this objective of government. The UNDP describes sustainable livelihood as a programming framework to devise a set of integrated support activities to improve the sustainability of livelihoods among poor and vulnerable groups by strengthening the vulnerability of their coping and adaptive strategies. It takes into cognizance policy and governance issues as they impinge on people's livelihoods.

Part of the objective of this study in relation to the above perspective by the UNDP (1997) description is to find out the impact of fuel subsidy removal and how it affects government policy on poverty reduction and alleviation.

To further buttress the relevance of this theory to the study DFID's description of the Sustainable Life Approach aligns appropriately. DFID (1999) stated in relation to sustainable life approach objectives, it affirmed its overriding aim of eradicating poverty by mainstreaming a set of core principles which emphasize that poverty development activity should be people-centered, responsive and participatory, multi-level , conducted in partnership, sustainable and dynamic.

They hoped to achieve this goal by using the Sustainable Livelihood framework which they regarded as an analytical structure to facilitate a broad and systematic understanding of the various factors that constrain or enhance livelihood opportunities and to show how they relate to each other.

Subsidy

Subsidy has been defined variously by different scholars but one point of convergence of the definitions is that subsidy is seen as a special intervention mostly by government to reduce the price of a particular commodity in order to provide some form of relief for consumers of such products.

Subsidy has also been defined as a form of financial assistance or benefit typically from the government that is given to businesses, individuals and other organizations in order to promote specific economic activities or advance certain social objectives.

Julien (2022) Subsidies are usually measures put in place by governments in order to promote long term economic stability but also help governments to respond to economic shocks during recessions or in response to unforeseen shocks.

In the case of Nigeria, subsidy was introduced to respond to the shocks and volatility of oil price in the international oil market.

Other reasons for subsidy include government intervention to help citizens pay bills, and stimulate economic growth. It is also an effective economic tool to ease economic hardship amongst citizens. It is also a police tool to reverse negative market imperfections which has impact on goods and services and access to it by citizens who are the consumers (Benedict and Ian, 2018)

Though subsidy is not only restricted to government interventions in order to enhance access to goods and services it can also refer to any type of support (apart from government) from non-governmental organizations and other bodies.

Subsidies can be direct or indirect interventions. Subsidies can be direct when it comes in the form of cash grants, and interest free loans and indirect when it comes in the form of tax breaks, insurance, low interest loans. accelerated depreciation, rent rebates and a host of others that do not involve direct cash intervention of government or any other body as the case may be (Haley and Haley,2013)

It is important to note that most modern countries use subsidies via national and sub-national entities through different forms such as tax incentives and direct grants. Subsidies are part of government initiatives to intervene to cushion economic hardships in the lives of its citizens in different areas of its national economy (Gerd and Benedict, 1999).

Categories of Subsidy

Categories of subsidy include

1. Production and consumption subsidy
2. Broad and narrow subsidy
3. Monetary and non-monetary subsidy

Classification of Nigeria's Fuel Subsidy

Nigeria's fuel subsidy can be classified as monetary and non-monetary. Monetary when the government pays subsidies directly to those involved in the distribution of subsidized goods and services and non-monetary when it uses tax relief to pursue its subsidy goals.

Fuel Subsidy in Nigeria

Fuel subsidy in Nigeria started officially in 1977 with the 1977 Price Control Act. Its main no objective was to shield Nigerians from the volatility in the international oil market. The vagaries of the oil market are such that whatever

happens to the price of oil in the international market can have an invariable impact on the domestic price of oil. If the domestic price of oil is left to always respond to the fluctuations in the international oil market it can have adverse effect on the local economy with such volatility triggering uncontrollable inflation and other shocks for the economy.

Fossil fuel subsidy is financial support by governments for oil, gas, and electricity generated from them. In the case of Nigeria, fuel subsidies government financial support essentially on PMS – Premium Motor Spirit which is used to power all aspects of Nigeria's developing economy.

The goal of fuel subsidy is to sell fuel at cheaper price to Nigerians and make goods and services available at affordable rates in the country.

According to Onyeiwu (2024) the 1977 Price Control Act made it illegal for some products including petrol to be sold above the regulated price. The General Olusegun Obasnjo regime introduced this law in order to cushion the effects on inflation caused by a worldwide increase in energy prices.

Since 1977, successive governments in Nigeria have continued the tradition of funding fuel subsidy with the same aim and objectives the government had when it was introduced in the late seventies.

Aim and Objectives of Fuel Subsidy Removal in Nigeria

According to the Nigerian Economic Summit Group (2024) some aim and objectives of fuel subsidy removal include:

1. To cushion the effect of rising global oil prices and the attendant effect it can have on the economy especially in the area of inflation.
2. To reduce inflation rates of goods and services
3. To make fuel available at cheap and affordable rates
4. To alleviate poverty and citizens access to essential services through stable price of goods and services
5. Support and sustain industries
6. Stimulate economic growth

Implications of fuel Subsidy Removal in Nigeria

Some implication of fuel subsidy removal in Nigeria as suggested by the Nigerian Economic Summit Group (2023) include:

1. Ripple effect on the cost of business operations
2. Lower labour productivity due to spillover effects on other economic activities
3. Increased inflationary pressures due to high cost of goods and services and
4. Risk of lowering citizens welfare, particularly poor and marginalized households.

History of Fuel Subsidy Removal in Nigeria

Fuel subsidy removal in Nigeria started with the regime of General Olusegun Obasnjo in 1976.He reviewed the price of fuel from 8.4kobo – 15.73 kobo. Below is a table of fuel subsidy reduction:

Table 1

Administration	Year/Date	Fuel Subsidy Reduction
Gen Obasanjo	1976	8.4K to 15.37 K
Alh Shehu Shagari	1982	15.37K to 20K
General Babangida	1986	20K to 39.5K
General Babangida	10/4/88	39.5k – 42K
General Babangida	1/1/1989	42k to 60k for private cars
General Babangida	3/6/1991	60k – 70k

Chief Ernest Shonekan	8/11/1993	70k t0 ₦5 but reduced to N3.25k on 22/11/1993
General Sani Abacha	2/10/94	N3.25k to N15 but reduced to N11 on 2/10/94
General Abdulsalam Abubakar	20/12/94	N11 – N25 but reduced it to N20 on 6/1/1999
Chief Olusegun Obasanjo	1/6/2000	N20 to N30 but reduced it to NN25 8/6/2000 and N22 on 13/6/2000
Chief Olusegun Obasanjo	1/1/2002	N22 to N26
Chief Olusegun Obasanjo	23/6/2003	N22 to N40
Chief Olusegun Obasanjo	June 2007	N40 – N70

Source: Adenikunju (2000)

Table 2

Alh Umar Musa Yar'adua	2007	N70 to N65
Dr. Goodluck Jonatha	1/1/2012	N65 to 141 but was reduced to N97

Source: Enyiuche (2012)

Table 3

Administration	Date/Year	Fuel Subsidy Reduction
Dr Goodluck Jonathan	2015	N97 to N87
General Muhammadu Buhari	2016	N87 to N145
General Muhammadu Buhari	2020	N145 to N121 but later reviewed to N140
General Muhammadu Buhari	2020	N140 to N151
General Muhammadu Buhari	2020	N151 to N161
General Muhammadu Buhari	2022	N161 to N195
Asiwaju Bola A.Tinubu	29/5/2023	N195 to N540
Asiwaju Bola A.Tinubu	July 2023	N540 to N617

Source: www.autogirl.ng

Impact of Fuel Subsidy Removal

Irrespective of government policy on poverty alleviation as noted by George (2012) fuel subsidy removal has made the nation to continue to witness depreciation in standard of living and a pauperization of the Nigerian populace. This diametrically opposes whatever poverty alleviation programme the government is initiating since the continuous removal of subsidy has occasioned in standard of living and many households in the country have fallen into poverty necessitating the initiation of different poverty alleviation programs by the government.

Poverty Alleviation Programmes of Government 2015 – 2023

Some poverty alleviation programs of government between 2015 and 2023 include:

1. Home Grown School Feeding Programme (GSFP)
2. Government Enterprise and Empowerment Programme (GEEP)
3. N-Power
4. National Social Safety Net (NASSCO) and

5. National Cash Transfer Programmme (N-CTP) also known as the Trader Moni

Impact of Fuel Subsidy Removal on Poverty Alleviation Policy of Government

Fuel subsidy reduction impacts poverty alleviation policies of government as more households grapple with the after effects of such reduction in subsidy.

Fuel subsidy removal affects access to goods and services and creates an avenue for a degeneration in sustainable livelihoods which is one of the indices for measuring poverty levels.

According to the International Centre for Investigative Reporting (2023) some poverty alleviation programs of government from 2015 – 2023 during the administration of President Muhammadu Buhari included National Social Investment Program which embodied:

1. Home Grown School Feeding Programme (GSFP)
2. Government Enterprise and Empowerment Programme (GEEP)
3. N-Power
4. National Social Safety Net (NASSCO) and
5. National Cash Transfer Programmme (N-CTP) also known as the Trader Moni

Between 2015 – 2023 subsidy on fuel was reduced seven times and this affected the realisation of the objectives of the poverty alleviation programme of government.

The removal of subsidy impacted negatively on government poverty alleviation programmes as the effect of the removal had great impact on poverty , despite over 5.5 trillion naira spent by President Muhammadu Buhari's government .Most of the government social intervention scheme failed to make the need impact by lifting many Nigerians out of poverty (Edeh,2023)

According to Punch (2023) NBS research indicates that poverty had risen to about 61% by 2015.According to the ranking of the world poverty clock by 2018 Nigeria replaced India as the world capital for poverty and held it for four years.133 Million Nigerians in spite of all the social intervention programmes are alleged to have fallen into "Multi-dimensional poverty" with the country ranking very high on the global hunger index which is a major parameter for measuring poverty.

In agreement with the above, Punch (2023) notes that Buhari's various poverty reduction intervention schemes such as Trader Moni , famer – moni ,N-Power and others were expensive and had limited results. Fluctuation in international oil prices which necessitated further subsidy removal negatively impacted the success of the poverty alleviation programmes.

Fuel subsidy removal triggered inflationary rates that increased hunger in the country by engendering difficulty in accessing basic necessities of life for survival. The scenario as indicated above gave Nigeria the unenviable position of poverty capital of the world from 2018 – 2022.

Ozili (2023) highlighting the impact of subsidy removal on poverty alleviation noted that fuel subsidy removal may decrease economic growth in the short term, increase inflation , increase poverty, increase in fuel smuggling, increase crime , increase the prices of petroleum products and loss of jobs in the informal sector. This is to say that fuel subsidy removal affects governments poverty alleviation objectives as it has been noted that fuel subsidy reduction induce factors that create poverty such as inflation ,job loss and decrease in economic growth.

Inflation is a macro-economic element that determines poverty levels in a country.Mohammed,Ahmed &Adedeji (2020) noted that the removal of subsidy cause a sharp increase in the price of goods and services and as always , the poor will suffer the most through a significant reduction in their purchasing power.

In agreement with this Raji (2018) observes that one of the negative macro-economic implications of removal of subsidy is that it will increase poverty in the short term which will lead to immediate pain and hunger for families. He emphasized that more families will go hun gry , while the poor and the middle class consumers will witness a fall in their purchasing power and small businesses will witness increase in cost of production and low patronage.

By and large reduction of subsidy has negative effect on the poverty alleviation policies of government

Findings

1. The study observed that fuel subsidy reduction has negative impact on the purchasing power of citizens

2. The study observed that subsidy removal increase poverty and this affects government policies on poverty alleviation.

3. The study was able to identify government poverty alleviation policies from 2015 – 2023

Conclusions and Recommendations

From the above study fuel subsidy reduction have negative implication on government policies of poverty alleviation as data within the period of study have indicated that fuel subsidy was reduced seven times between 2015 – 2023 and within this period Nigeria for four consecutive years (2018 – 2022) Nigeria attained the position of World Poverty Capital.

The study thus recommends

1. Fuel subsidy removal or reduction should be carried out gradually through careful planning and right timing.

2. Nigerian government should understand that subsidies are part and parcel of measures government all over the world use to stabilise the economy and lift their people out of poverty.

3. Government should remain conscious of the fact that lackadaisical handling of subsidy removal poses a great threat to the well-being of its citizens as observed from the data of the study which states that 133 million Nigerians fell into multi-dimensional poverty during the tenure of President Muhammadu Buhari's tenure (2015 – 2023)

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