

EXAMINING THE EFFECTS OF FUEL SUBSIDY REMOVAL POLICY ON SOCIO-ECONOMIC DEVELOPMENT IN NIGERIA (2023-2025)

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ABSTRACT

Subsidy is any amount of money paid by a government or an organization to lower the cost of services or the cost of producing goods so that their prices can be kept low. In Nigeria, number of public policies have been put in place over the years with the aim of promoting prosperity and socio-economic development, but these policies appear to have fallen short of their goals. This study critically examines the policy of removing fuel subsidy in Nigeria and its implications for socioeconomic development. Hence, the main objectives of the study are to assess the rationale behind the fuel subsidy removal policy in Nigeria and to evaluate the challenges associated with subsidy removal. Using secondary data source with qualitative approach, this study synthesizes scholarly articles, journals etc. to examine the rationale behind the policy shift, the immediate and long-term socio-economic impacts, and the effectiveness of compensatory measures such as palliative programmes. The findings indicate that fuel subsidy removal has significant implications for price stability, inflationary trends, income distribution and social welfare outcomes. The study concluded that government should consider implementing customized social safety nets and assistance programs to assist vulnerable groups, including low-income households and small businesses. The study also made recommendations for the creation of inclusive policies that would strike a balance between economic reform and equitable development.

Keywords: Fuel Subsidy; Nigeria; Palliative; Policy; Socio-economic Development

INTRODUCTION

The removal of fuel subsidy on Premium Motor Spirit (Fuel) on January 1, 2012, due to a new policy issued by the Petroleum Product Pricing Regulatory Agency (PPPRA), cannot be considered the best New Year's present to Nigerians. In actuality, since January 1, 2012, the issue of eliminating fuel subsidies or maintaining the subsidy regime has dominated public discourse. Originally intended to be a six-month measure, the fuel subsidy was first implemented as a temporary solution in 1988 by the Nigerian federal government as part of its Structural Adjustment Program (SAP). It served as a stopgap measure while refineries were being renovated and to stabilize the price of petroleum products. In order to promote economic growth and lower the cost of essential transportation and cooking fuels, policymakers in many developing countries employ fuel subsidies. However, subsidies place a heavy load on public coffers and might lead to market inefficiencies and excessive consumption. Although the effects are complex, international organizations usually support economic reform by doing away with fuel subsidies. Therefore, it is important to understand how the removal of subsidies affects various aspects of socioeconomic growth, including the welfare of consumers, income distribution, levels of poverty, inflation, political stability, and sustainability (Ude, 2023).

In light of Nigeria's depleting resources, the federal government contended that the subsidy's rising rate could no longer be justified. According to the government, money ought to be redirected into the development of public infrastructure, healthcare, education, and employment (Akanbi, 2023). Recent developments under President Bola Ahmed Tinubu's regime make it abundantly evident that the new administration is unable to continue fuel subsidies because of the heavy financial burden. Although there are other ways to make money, the money saved by this policy could be used for projects that promote economic growth and development. Adeyeye (2023) claims that President Bola Ahmed Tinubu's administration plans to do away with the current fuel subsidy because it sees it as a burden on governments, has a negative effect, and, if not managed properly, could have no economic value. The fact that a large sum of money was spent on subsidizing the importation of petroleum into the country means that the incoming administrations must continue to behave in this manner. Inflation and the sharp rise in the cost of goods and services are other problems. Because previous administrations that attempted to implement the

subsidy program encountered strong opposition from the Nigerian Labour Congress (NLC) and other relevant trade unions, the government's goals may conflict with peace and security.

As Omoniji (2012) highlights, government employees, particularly NLC members, engaged the government in dialogue and negotiation, and when this measure is removed, members always go on strike to voice their displeasure. Meanwhile, Nigerian youths always respond to the removal of fuel subsidies by protesting on the main thoroughfares. The central government has previously lost millions of dollars, even billions of naira, as a result of such events. Adeyeye (2023) claims that the new administration plans to do away with the current fuel subsidy because it views it as a heavy fiscal burden with limited economic returns if not properly managed. The Federal Government reportedly spent about ₦4.39 trillion on fuel subsidies in 2022, while subsidy payments between January and June 2023 were estimated at approximately ₦3.36 trillion before the policy was discontinued. Such enormous expenditure significantly constrained public finances and reduced the resources available for critical sectors such as infrastructure, healthcare, and education. Inflation and the sharp rise in the cost of goods and services are other concerns associated with the policy. Because previous administrations that attempted to implement subsidy reforms encountered strong opposition from the Nigerian Labour Congress (NLC) and other labour unions, the government's objectives may also conflict with industrial peace and national stability. Also, mass poverty is one of the key issues brought on by the government's decision to end its fuel subsidy program because prices for products and services rose while salaries for public employees stayed the same.

Statement of the Problem

Fuel subsidy has remained one of the most contentious economic policies in Nigeria because of its implications for fiscal sustainability and socio-economic development. Although the policy was originally intended to cushion households against high energy costs, successive administrations were confronted with the growing fiscal burden of sustaining subsidy payments. According to the World Bank (2023), fuel subsidy expenditure consumed substantial public resources that could otherwise have been invested in critical sectors such as education, healthcare, infrastructure and social protection. Consequently, the removal of fuel subsidy in 2023 was

justified by government as a fiscal reform intended to improve public finance and promote long-term economic development.

Despite these expected benefits, available evidence indicates that the policy generated significant socio-economic challenges. The removal of the subsidy was accompanied by a sharp increase in the pump price of Premium Motor Spirit (PMS), which contributed to higher transportation costs, rising production expenses and accelerating inflation. These developments reduced the purchasing power of households, increased the cost of living and placed additional pressure on low- and middle-income earners (World Bank, 2023; IMF, 2023). Although government introduced palliative measures to cushion the adverse effects of the reform, several studies have questioned their adequacy, targeting and overall effectiveness in mitigating the hardship experienced by vulnerable groups (Akanbi, 2023; Ude, 2023).

Furthermore, while existing studies have examined either the economic justification for fuel subsidy removal or its immediate effects on fuel prices and inflation, relatively few have provided a comprehensive assessment of how the policy has affected broader dimensions of socio-economic development, including social welfare, income distribution and the effectiveness of the accompanying palliative measures. This gap in the literature has limited a holistic understanding of the extent to which the anticipated developmental benefits of the reform have materialised. The foregoing gaps in the literature and the persistent socio-economic concerns arising from the implementation of the fuel subsidy removal policy necessitated a comprehensive assessment of its implications for socio-economic development in Nigeria. Hence, this study.

Objectives of the Study

1. To assess the rationale behind the fuel subsidy removal policy in Nigeria.
2. To evaluate the challenges associated with subsidy removal and its implications for sustainable socio-economic development.
3. To examine the effectiveness of the palliative measures introduced to mitigate the socio-economic effects of fuel subsidy removal in Nigeria

Research Questions

1. What is the rationale behind the fuel subsidy removal policy in Nigeria?
2. What are the challenges associated with subsidy removal and its implications for sustainable socio-economic development?
3. To what extent were the palliative measures introduced effective in mitigating the socio-economic effects of fuel subsidy removal in Nigeria?

CONCEPTUAL CLARIFICATIONS

Subsidy

A subsidy is “a financial contribution by a government or any public body within the territory of a member” that offers a benefit, according to the World Trade Organization (WTO) (2006). This idea is crucial to international trade since it helps determine whether a subsidy is subject to WTO action. In a comprehensive overview, Steenblik (2016) noted that subsidies could be direct (like cash gifts or interest-free loans) or indirect (like tax breaks, insurance, low-interest loans, expedited depreciation, and rent rebates). They can be broad or narrow, moral or immoral, and legal or unlawful. Steenblik asserts that subsidies affect the allocation of domestic resources, the productivity of spending, and the distribution of income on a national and international level. In order to promote economic stability and growth, the primary objective of subsidies is to incentivize the production or consumption of specific commodities and services; additionally, organizations, individuals, or industries may receive direct or indirect subsidies in the form of grants, loans, cash transfers, or specific tax breaks; and finally, a subsidy is a type of financial aid that the government provides to people, companies, or industries in order to promote economic activity that is believed to benefit the general public or to address market imperfections (Esekpá et al., 2024).

Encyclopaedia Britannica (2025) defines a subsidy as "a direct or indirect payment, economic concession, or privilege granted by a government to private firms, households, or other governmental units to promote a public objective." This definition highlights the ways in which the government can influence economic activity to achieve specific policy objectives. Oyasipe and Olukoya (2024) define subsidies as a deliberate government action that supports specific economic

agents, such as producers or consumers, and is essentially a form of reverse tax. These subsidies may be used in various markets that involve the exchange of goods and services. Either increasing producer selling prices or decreasing consumer prices is the aim of this government action. These interventions are widely used by many countries and sectors, ranging from commodities like petroleum products to food supply and agricultural inputs like fertilizer and machinery. To alleviate market defects and attain particular societal goals, subsidies can be effective policy tools.

Socio-Economic Development

The process through which a society's social and economic features are enhanced, enhancing the standard of living for its population, is known as socioeconomic development. This complicated idea involves advancements in healthcare, education, career chances, income levels, and the fair distribution of resources. Different academics have different ideas about socioeconomic growth, each focusing on a different aspect of this complex process. Socioeconomic development, according to Tweheyo (2021), is "the progressive reinforcement of a socioeconomic organization's quantitative and qualitative dimensions towards a higher level of efficiency, wellbeing, justice, and democracy at all levels." According to Litwinski (2017), socioeconomic development is defined as "positive changes in social and economic activities of a society or nation, aiming to improve the well-being and quality of life." This definition views development as an all-encompassing process that includes quantitative components like employment rates and income levels as well as qualitative ones like social justice and democratic participation.

As a process that addresses economic, social, and environmental factors within the context of sustainable development, socio-economic development is thought to enhance people's quality of life. In assessing overall socioeconomic progress, Niaz's (2021) research considered a number of sustainable livelihoods, comprehensive poverty reduction, living standards, and social development measures. The study demonstrated the beneficial effects of financial inclusion through microfinance on sustainable livelihoods, living standards, and multimodal poverty reduction. This point of view highlights the dynamic interplay between the social and economic spheres and suggests that real growth necessitates concurrent advancement in both to achieve full

societal advancement. Although definitions of socioeconomic development differ across scholars and institutions, common themes include the pursuit of a higher quality of life, the integration of social and economic advancement, and the importance of both quantitative and qualitative advances. Collectively, these perspectives demonstrate the complexity of socioeconomic development and the need for varied strategies catered to the unique needs of different communities.

HISTORY AND EVOLUTION OF FUEL SUBSIDY IN NIGERIA

In order to lessen the impact of rising oil costs on Nigerian, fuel subsidies were first implemented in the 1970s. With the creation of the Petroleum Products Pricing Regulatory Agency (PPPRA) in the 1980s, which was tasked with controlling the prices of petroleum products like gasoline and diesel, the policy took on a more formal form. Given the importance of petroleum products for power generation, cooking, and transportation, the government defended the subsidy as a way to maintain their affordability and accessibility. Additionally, it served as a means of allocating oil income to other economic sectors (Ori et al., 2023). Fuel subsidy system has undergone a number of changes over time, with increases or decreases contingent on the state of the economy. For example, Nigeria's strong oil export earnings during the 1970s oil boom made significant subsidies unnecessary. But throughout the 1980s and 1990s, the country had economic problems such high inflation, growing foreign debt, and currency devaluation, which led the government to increase subsidies to help the people's financial hardships (Ori et al., 2023).

As government spending on the fuel subsidy increased in the 1990s, it became more and more controversial. Although this technique was condemned for depleting national resources, it was seen as a way to maintain artificially low fuel costs. The subsidy became a major political issue after Nigeria returned to democracy in 1999 following years of military dictatorship. Since then, the fuel subsidy problem has plagued Nigeria's governments, with some trying to do away with it completely and others trying to lessen its negative economic effects. In recent years, the subsidy regime has faced heightened criticism due to Nigeria's economic woes and complaints over its inefficiencies. Critics contend that the system is plagued by corruption, rent-seeking, and

waste, enriching only a tiny group of persons while contributing little to the nation's economic advancement (Ori et al., 2023).

FUEL SUBSIDY REMOVAL AND SOCIO-ECONOMIC DEVELOPMENT: THE SYNERGY

The relationship between fuel subsidy removal and socio-economic development in Nigeria has been a persistent topic of debate among policymakers, economists, and the general public. Fuel subsidies, initially introduced as a mechanism to shield Nigerian citizens from the volatility of global oil prices, have over the decades morphed into a fiscal burden that hinders economic efficiency and drains government resources. While the removal of these subsidies is frequently championed as a necessary step towards economic reform and growth, it also presents significant socio-economic challenges, creating a complex synergy that demands careful exploration. Nigeria's fuel subsidies have historically played a central role in its economic management. Designed to stabilize domestic fuel prices, subsidies were perceived as a social contract between the government and its citizens, providing an implicit form of income support (Adenikinju, 2009). However, over time, these subsidies have imposed an unsustainable fiscal cost, consuming vast portions of the national budget and crowding out investments in critical sectors such as infrastructure, education, and healthcare (World Bank, 2022). Beyond the financial burden, subsidies have contributed to widespread inefficiencies and have been marred by corruption, with benefits disproportionately favoring higher-income households that consume more fuel (Coady et al., 2017). This has spurred calls for reform, particularly from international financial institutions advocating for a shift towards market-based energy pricing.

The economic rationale for removing fuel subsidies hinges on several arguments. First, subsidy removal is expected to correct market distortions by allowing fuel prices to reflect their true cost, thereby promoting more efficient consumption patterns and reducing waste (Victor, 2009). Second, eliminating subsidies frees up fiscal space, enabling the government to redirect resources towards productive investments that can drive long-term socio-economic development (IMF, 2021). These investments include critical infrastructure projects, human capital development, and social services that have a direct impact on poverty reduction and economic

growth. Furthermore, subsidy removal signals a commitment to market-oriented reforms, which can enhance investor confidence and attract both domestic and foreign investment (Adenikinju, 2009).

However, the socio-economic consequences of fuel subsidy removal are immediate and tangible, often triggering public resistance. The most immediate effect is the rise in domestic fuel prices, which cascades into increased transportation and production costs. These increases translate into higher prices for goods and services, fueling inflation and eroding the purchasing power of consumers, particularly low-income households (Oluwadele, 2024). The hardship is especially pronounced in urban centers where a significant proportion of the population relies on public and private transportation. For small and medium-sized enterprises (SMEs), which form the backbone of Nigeria's economy, higher operational costs can result in reduced profitability, workforce downsizing, or even business closures. The cumulative effect of these challenges is an increase in poverty levels and economic vulnerability, particularly among the most disadvantaged groups.

The 2012 Occupy Nigeria protests stand as a testament to the societal pushback that subsidy removal can provoke when implemented without adequate safeguards. Public demonstrations erupted nationwide following the government's announcement of fuel subsidy removal, highlighting widespread dissatisfaction and fears of socio-economic instability (Occupy Nigeria, n.d.). The protests revealed not only the populace's deep-rooted skepticism towards government policies but also underscored the need for comprehensive measures to mitigate the adverse impacts of such reforms. In response, analysts and policymakers have emphasized the importance of coupling subsidy removal with targeted social protection measures, including cash transfers, food subsidies, and investments in public transportation, to cushion the blow on vulnerable populations (Okojie, 2011).

Despite these challenges, the long-term prospects of fuel subsidy removal for socio-economic development in Nigeria remain promising, provided that the policy is implemented thoughtfully and complemented by strategic investments. Savings from subsidy removal can be reinvested in infrastructure development, enhancing road networks, energy supply, and public services, which are essential for creating a conducive environment for economic activities (World

Bank, 2022). Additionally, subsidy removal can incentivize the development of Nigeria's domestic refining capacity, reducing dependence on imported petroleum products and creating jobs within the local economy (Sharon, 2023). This shift not only strengthens energy security but also positions Nigeria as a more competitive player in the global energy market.

Furthermore, removing subsidies aligns with broader environmental goals by encouraging the adoption of alternative and renewable energy sources. By allowing market forces to determine fuel prices, the government can stimulate innovation and attract private investment into the energy sector, fostering a transition towards sustainable energy solutions (Coady et al., 2017). This transition is critical for reducing Nigeria's carbon footprint and ensuring long-term environmental sustainability, which is increasingly recognized as integral to socio-economic development. The synergy between fuel subsidy removal and socio-economic development, therefore, lies in balancing immediate socio-economic hardships with long-term developmental gains. On one hand, subsidy removal can enhance fiscal discipline, promote market efficiency, and provide resources for critical investments. On the other hand, it risks exacerbating poverty, inequality, and social unrest if not managed with sensitivity and foresight. To navigate this complex terrain, experts argue for a phased approach to subsidy removal, combined with transparent communication and robust social protection frameworks (Victor, 2009). Public trust can be fostered by ensuring that savings from subsidy removal are visibly redirected towards programs that improve living standards and create economic opportunities.

Fuel Subsidy Challenges in Nigeria

Over the years, there has been much discussion and criticism of Nigeria's fuel subsidy program, and a number of issues have arisen during its execution, undermining its stated goals. These difficulties have been caused by economic distortions, corruption, and systemic inefficiencies that have all worked against the subsidy regime's efficacy. One of the most obvious difficulties has been the chronic corruption linked with the subsidy system, with various studies and reports exposing how public monies intended for fuel subsidies have been plundered by individuals and groups involved in the process. The Nigerian Extractive Industries Transparency Initiative (NEITI) report (2018), for example, gave a startling estimate of the extent of fuel subsidy

fraud in the nation, revealing that between 2011 and 2015, Nigeria lost more than \$16 billion to fraudulent activities because of overpayments, under-recoveries, and the opaqueness of the subsidy process. These findings indicated a lack of regulatory frameworks and effective monitoring that should have guaranteed the proper distribution of subsidy funds. Additionally, the report revealed that some individuals and companies involved in fuel subsidy distribution falsified figures, diverting funds intended to lower the cost of petroleum products for average Nigerians.

In addition to depleting public resources, this corruption has damaged public confidence in the government's capacity to effectively manage national resources (Ori et al., 2023). The application of fuel subsidies has been complicated by corruption as well as inefficiency in Nigeria's petroleum industry's downstream sector. Inadequate infrastructure, a lack of refining capacity, and ongoing pipeline vandalism problems have all hurt the downstream industry, which includes the distribution, retailing, and refining of petroleum products. Despite the substantial funds allotted to the subsidy regime, these variables have led to a scenario where fuel shortages occur often (Ori et al., 2023). These problems are made worse by Nigeria's reliance on fuel imports to meet domestic demand because the nation does not have the refining capacity to meet all of its fuel requirements. Fuel imports have been shown to be not only expensive but also incredibly inefficient because supply chain delays and anomalies are common. Due to these inefficiencies, a vicious loop has been established in which the fuel subsidy scheme frequently makes matters worse by causing supply delays and shortages rather than reducing fuel scarcity.

Nigeria's economy has also been significantly affected fiscally by the fuel subsidy regime. Over the years, the Federal Government allocated substantial public resources to fuel subsidy payments, thereby reducing the funds available for critical sectors such as healthcare, education and infrastructure. For instance, the World Bank (2023) reported that Nigeria spent approximately ₦4.39 trillion on fuel subsidies in 2022, representing one of the country's largest recurrent fiscal expenditures. Similarly, the International Monetary Fund (IMF, 2023) estimated that fuel subsidy payments for the first half of 2023 alone amounted to about ₦3.36 trillion before the policy was discontinued. These enormous expenditures placed considerable pressure on public finances and constrained the government's fiscal space for developmental investments.

Consequently, the fuel subsidy policy has been widely regarded as a significant burden on the nation's treasury, particularly in a country faced with limited resources and pressing developmental needs. For example, Adenikinju (2009) argues that persistent subsidy expenditure crowds out productive public investment by diverting scarce financial resources from infrastructure and human capital development. Likewise, Coady, Parry, Sears and Shang (2017) contend that universal fuel subsidies are economically inefficient because they absorb substantial public funds while disproportionately benefiting higher-income households rather than the poor. Furthermore, the continued financing of subsidy payments contributed to widening fiscal deficits and increasing public debt, thereby weakening the government's capacity to pursue long-term sustainable economic development (World Bank, 2023; IMF, 2023). Furthermore, a tiny percentage of the population, especially the wealthy, who have easier access to petroleum products, have disproportionately profited from the subsidies (Coady et al. 2017). The broad advantages for the impoverished, who were the original goal of the subsidy, have not materialized. The subsidy system has been criticized for being a regressive policy that favors large industries and wealthy urban inhabitants who use more fuel than the impoverished in rural areas who are less likely to have access to the subsidized fuel. Because the subsidy regime maintains a wealth distribution that benefits the already privileged elements of society, it has been charged with escalating inequality.

Nigeria's economic resources have been gradually depleted as a result of these issues, and the subsidy system has fallen short of its initial goals of facilitating widespread access to reasonably priced fuel and promoting the nation's socioeconomic advancement. Despite the fact that the subsidy was intended to lessen the impact of growing fuel prices on the populace, the policy is frequently viewed as ineffective due to the failure to address corruption, inefficiencies, and fiscal imbalances. Because of this, the fuel subsidy scheme is still a hotly debated topic in Nigerian policy talks, with many people doubting its viability and long-term effects on the country's development.

SUBSIDY REMOVAL IN NIGERIA

The removal of fuel subsidy in Nigeria has remained a recurring policy issue that has generated intense economic, political and social debates over several decades. Although fuel subsidies were introduced to protect consumers from rising petroleum prices and to ensure affordable access to energy, successive governments have struggled with the increasing fiscal burden associated with maintaining the subsidy regime. Consequently, different administrations have attempted to reform, reduce or completely remove fuel subsidies, but these efforts have often been met with strong public resistance due to concerns about rising living costs and declining household welfare. The first major attempt to reform petroleum product pricing occurred during the Structural Adjustment Programme (SAP) introduced by the military administration of General Ibrahim Babangida in 1986. As part of the broader market-oriented reforms encouraged by international financial institutions, petroleum price adjustments were implemented to reduce government expenditure and promote economic efficiency. However, repeated increases in fuel prices generated widespread opposition, as many Nigerians perceived the reforms as placing additional hardship on citizens without corresponding improvements in social welfare (Okogu, 2005).

Subsequent administrations continued to pursue subsidy reforms with varying degrees of success. During the administration of President Olusegun Obasanjo (1999–2007), efforts were made to deregulate the downstream petroleum sector and gradually reduce government involvement in fuel pricing. The establishment of the Petroleum Products Pricing Regulatory Agency (PPPRA) in 2003 was part of these efforts to introduce a more transparent pricing mechanism and reduce the financial burden of subsidy payments. However, these reforms did not completely eliminate subsidies due to concerns about public opposition and the potential socio-economic consequences of sudden price increases (Adenikinju, 2009). A more significant attempt occurred during the administration of President Goodluck Jonathan in January 2012, when the government announced the partial removal of fuel subsidy. The policy resulted in an immediate increase in the price of Premium Motor Spirit (PMS) from approximately ₦65 to ₦141 per litre, leading to nationwide protests popularly known as the “Occupy Nigeria” movement. Public resistance forced the government to reverse part of the policy and reduce the pump price to ₦97

per litre. The episode demonstrated the political sensitivity of fuel subsidy reforms and highlighted the importance of effective communication and social protection measures when implementing such policies (Iwayemi & Fagbenle, 2012; Okojie, 2011).

Despite the challenges associated with previous attempts, concerns regarding the sustainability of the subsidy regime continued to grow. The increasing cost of subsidy payments, declining government revenue and allegations of corruption within the petroleum subsidy system intensified calls for reform. The Nigerian Extractive Industries Transparency Initiative (NEITI, 2018) reported significant irregularities in the subsidy administration process, including fraudulent claims and weak institutional controls, which contributed to substantial financial losses for the government. These challenges strengthened arguments that resources committed to fuel subsidies could be redirected towards productive sectors such as infrastructure, education, healthcare and social development. The most recent and decisive attempt at subsidy removal occurred on 29 May 2023, when President Bola Ahmed Tinubu announced the termination of the fuel subsidy regime during his inaugural address. Unlike previous administrations, the government proceeded with a complete removal of the subsidy, resulting in a substantial increase in fuel prices across the country. The policy was justified on the grounds that subsidy payments had become financially unsustainable and that funds previously committed to subsidies could be redirected towards development-oriented programmes (World Bank, 2023). However, the immediate consequences included higher transportation costs, increased inflationary pressure and declining purchasing power among households, particularly low-income groups.

Following the 2023 subsidy removal, the government introduced various palliative measures, including cash transfers, food assistance programmes and interventions aimed at reducing the impact of rising living costs. Nevertheless, concerns have been raised regarding the adequacy, transparency and effectiveness of these measures in reaching vulnerable populations (IMF, 2023). This has reinforced the argument that successful subsidy reform requires not only fiscal adjustments but also comprehensive social protection mechanisms capable of cushioning vulnerable groups against short-term economic shocks. Therefore, the history of fuel subsidy removal in Nigeria reflects a continuous tension between economic reform objectives and socio-

economic realities. While successive governments have recognised the need to eliminate the fiscal burden associated with subsidies, implementation has often been constrained by public resistance, inadequate compensatory mechanisms and concerns about governance. The 2023 subsidy removal represents a significant departure from previous attempts, making it necessary to examine its implications for socio-economic development, welfare outcomes and the effectiveness of accompanying policy responses.

LITERATURE REVIEW

Numerous insights into the effects of eliminating subsidies on Nigeria's socioeconomic development are provided by this empirical research. The advantages and difficulties of eliminating fuel subsidies for Nigeria's economy in the fourth republic are examined by Ikenga and Oluka (2023). To gather data for the study, a qualitative approach was used in conjunction with descriptive analysis. Neoliberalism theory serves as the theoretical foundation for the investigation. The study came to the conclusion that numerous attempts by past administrations to change the fuel subsidy policy had a significant detrimental impact on the populace due to rising costs for food, transportation, and petroleum products. Therefore, the study suggested that the central government should pay close attention to how the policy affects the general public. It should provide palliatives to ease people's suffering and a consistent supply of power, as well as amenities and infrastructure to lessen the impact of the policy on the populace. The effects of eliminating fossil fuel subsidies on the EU's carbon neutrality strategy were examined by Antimiani (2023). The study uses CGE and the computable general equilibrium model to analyze the data that was gathered. The study comes to the conclusion that while eliminating subsidies helps achieve carbon neutrality, it can also have an impact on household, industrial, and energy prices.

The economic price of liquid petroleum gas, poverty, and subsidy removal compensation in Indonesia were examined by Prabowo et al. (2022), who used an econometric analysis approach to analyze data from primary and secondary sources. The study came to the conclusion that scenarios involving the removal of subsidies could have an impact on the economy, particularly for low-income households. As a result, the study suggests that the government use the money

collected from the removal of subsidies wisely to lessen the suffering of the masses. Greve and Lay (2023) provide information on the assessment of fossil fuel subsidies in developing nations. The article employed dynamic general equilibrium model for assessing data collected. The paper consequently, concluded that, subsidy removal can change the consumption pattern of the population, GDP, and wellbeing, with differing implications on different income groups. The paper therefore, proposed that, government should supply the basic necessity to the citizen using such monies materialize through subsidies, government should also make diversification in many sectors of the economic so that, the rate of unemployment in the community would diminish.

Fuel subsidy elimination and its effects on the Nigerian economy (Iwayemi & Fagbenle, 2012). The effect of eliminating fuel subsidies on the Nigerian economy is investigated in this study. It investigates the impact on government revenue, inflation, and population well-being in general. The study compares data before and after the withdrawal of subsidies using econometric models. Research conducted by Obasi et al. (2023) explores the political economy of Nigeria's fuel subsidy withdrawal and its profound effects on the country's economy and populace's well-being. The paper provides a thorough summary of the political debate around this divisive topic by skillfully addressing the arguments for and against the withdrawal of fuel subsidies. The study provides a thorough analysis based on secondary data, highlighting the widespread corruption in Nigeria's oil industry and its adverse effects on economic growth.

THEORETICAL FRAMEWORK

Rosenstein-Rodan's Thesis or Theory of the "Big Push" (1943)

This study is anchored on Rosenstein-Rodan's Big Push Theory, which was propounded in 1943 to explain the conditions necessary for economic transformation in developing economies. The theory emerged from the argument that underdeveloped economies often experience persistent poverty, low productivity and limited economic growth because of inadequate levels of investment. According to Rosenstein-Rodan (1943), development cannot be achieved through isolated or small-scale investments because individual sectors of the economy are interconnected and depend on one another for growth. Therefore, a large-scale and coordinated investment programme, referred to as the "big push", is required to overcome structural barriers and place an

economy on a sustainable path of development. The central proposition of the Big Push Theory is that a minimum critical level of investment is necessary to stimulate economic transformation. Rosenstein-Rodan argued that investments in complementary sectors of the economy generate external economies that increase productivity and create conditions for sustained growth. For instance, investments in social overhead capital such as transportation, energy, communication and other public infrastructure provide the foundation upon which productive sectors can expand.

Similarly, the development of industries creates employment opportunities and increases demand for goods and services, thereby encouraging further investment and economic advancement. Thus, the theory emphasises that coordinated investments across multiple sectors are more effective in promoting development than fragmented investments undertaken independently. The theory is based on three major assumptions. Firstly, it assumes that developing economies are characterized and embedded by indivisibilities in production, particularly in sectors that require substantial initial investment before meaningful benefits can be achieved. Social infrastructure such as roads, electricity and communication networks often require significant capital expenditure and cannot be developed efficiently through small-scale investments. Second, the theory assumes complementarity of demand, suggesting that the growth of one sector creates demand for the products and services of other sectors, thereby generating a self-reinforcing process of economic expansion. Third, the theory assumes that developing countries often possess limited savings capacity, making it difficult for private investment alone to provide the level of resources required for rapid economic transformation. Consequently, government intervention and coordinated investment strategies become necessary to overcome these constraints (Jhingan, 2012).

The relevance of Rosenstein-Rodan's Big Push Theory to this study lies in its explanation of the developmental argument behind fuel subsidy removal in Nigeria. The Nigerian government has consistently argued that the financial resources committed to fuel subsidies represent a significant burden on public expenditure and that such resources could be rechanneled towards critical sectors capable of promoting socio-economic development. From the perspective of the Big Push Theory, funds saved from subsidy removal can serve as resources for large-scale

investments in infrastructure, healthcare, education, transportation and other productive sectors that enhance economic growth and improve living standards. Furthermore, the theory provides an understanding of why the benefits of fuel subsidy removal depend largely on the effective utilisation of the resources generated from the reform. The removal of subsidies alone does not automatically translate into economic development; rather, the expected benefits can only be achieved when the recovered funds are channelled into coordinated investments that address developmental challenges and improve the welfare of citizens. In this regard, the theory provides a useful framework for examining whether the removal of fuel subsidy in Nigeria has contributed to socio-economic development and whether government efforts to redirect resources towards productive sectors have produced the intended outcomes.

RESEARCH METHODOLOGY

This study adopts a qualitative research approach based on secondary data sources to examine the implications of fuel subsidy removal for socio-economic development in Nigeria. The choice of this approach is informed by the nature of the study, which seeks to critically analyse existing knowledge, policy debates and empirical evidence relating to fuel subsidy reforms and their socio-economic consequences. The study relies exclusively on secondary data obtained from academic journals, scholarly books, government publications, policy documents, institutional reports, and credible media reports. Relevant materials were sourced from publications of organisations such as the World Bank, International Monetary Fund (IMF), Nigerian Extractive Industries Transparency Initiative (NEITI), and other relevant institutions. These sources provided information on fuel subsidy expenditure, subsidy reform policies, inflationary trends, social welfare outcomes and the effectiveness of palliative measures introduced by the Nigerian government.

The collected data were analysed through qualitative content analysis, which involved the systematic examination, interpretation and synthesis of relevant literature and documentary evidence. This method enabled the study to identify major themes relating to the rationale for subsidy removal, the socio-economic challenges associated with the policy, and the extent to which accompanying interventions addressed the consequences of the reform.

DISCUSSION OF FINDINGS

The findings of this study indicate that the removal of fuel subsidy in Nigeria was primarily driven by concerns over fiscal sustainability, inefficiencies within the subsidy regime and the need to redirect public resources towards productive sectors of the economy. Evidence from the literature reviewed shows that fuel subsidy payments imposed a significant financial burden on government expenditure. The World Bank (2023) noted that Nigeria spent substantial resources on fuel subsidies, with subsidy payments limiting fiscal space for investment in critical sectors such as infrastructure, healthcare and education. Similarly, the International Monetary Fund (2023) argued that subsidy reform was necessary to improve public finance management and reduce pressure on government resources. These findings support the argument that subsidy removal was largely motivated by the need to achieve fiscal stability and improve resource allocation.

The study further found that fuel subsidy removal produced immediate socio-economic challenges, particularly through increased fuel prices and inflationary pressures. Following the announcement of subsidy removal in May 2023, the pump price of Premium Motor Spirit increased substantially across the country, resulting in higher transportation costs and increased prices of goods and services. According to the World Bank (2023), inflationary pressures following the reform negatively affected household purchasing power, particularly among low- and middle-income households. Similarly, the National Bureau of Statistics (2023) reported continued increases in consumer prices following the implementation of the reform. These developments suggest that although subsidy removal was intended to achieve long-term economic benefits, its immediate consequences created significant welfare challenges for many Nigerians.

The findings also reveal that the burden of subsidy removal was unevenly distributed across different segments of the population. Although fuel subsidies were criticised for disproportionately benefiting higher-income groups because they consumed more petroleum products, the removal of subsidies without adequate social protection measures placed significant pressure on vulnerable households. The International Monetary Fund (2017) noted that universal fuel subsidies often provide greater benefits to wealthier households due to their higher levels of fuel consumption. However, in the Nigerian context, the immediate removal of subsidies affected low-income groups

through increased transportation expenses, higher food prices and reduced disposable income. This highlights the importance of carefully designed compensatory measures during subsidy reforms.

Furthermore, the study found that the palliative measures introduced by the Nigerian government to reduce the hardship associated with subsidy removal faced challenges relating to adequacy, coverage and implementation. The Federal Government introduced interventions such as cash transfers, food distribution programmes and transport-related support; however, concerns were raised regarding the transparency and effectiveness of these interventions. The World Bank (2023) emphasised that social protection programmes must be well-targeted and efficiently implemented to effectively protect vulnerable groups during periods of economic adjustment. Therefore, the effectiveness of palliative measures remains a critical factor in determining whether subsidy reform can produce inclusive socio-economic outcomes.

The study also found that the potential long-term benefits of fuel subsidy removal depend largely on whether the financial resources saved from subsidy payments are channelled into productive developmental investments. The rationale behind the reform is consistent with Rosenstein-Rodan's Big Push Theory, which emphasises the importance of coordinated investment in infrastructure, human capital and productive sectors for economic transformation. However, available evidence suggests that the developmental impact of subsidy removal will depend on effective governance, transparency and accountability in the utilisation of recovered funds (World Bank, 2023).

Overall, the findings demonstrate that fuel subsidy removal in Nigeria represents a complex policy reform with both potential benefits and immediate socio-economic costs. While the policy provides opportunities for improved fiscal management and increased investment in development sectors, inadequate social protection mechanisms may intensify economic hardship among vulnerable populations. Therefore, achieving sustainable socio-economic development requires that subsidy reform is accompanied by effective social welfare interventions, transparent resource allocation and strategic investments capable of improving citizens' living standards.

CONCLUSION

The removal of Nigeria's fuel subsidy has had a major effect on the region's socioeconomic development. It is impossible to overlook the detrimental effects on the general public of the removal of subsidies, which was meant to reduce government expenditure and boost economic efficiency. To mitigate these impacts, the government should consider implementing customized social safety nets and assistance programs to assist vulnerable groups, including low-income households and small businesses. Long-term strain from high fuel prices may also be mitigated by investments in other energy sources and public transportation systems. Ultimately, sustaining the long-term socioeconomic development of Nigeria as a whole requires a well-balanced approach that acknowledges the needs of the local community while promoting sustainable economic policies.

Conclusively, there is both tension and promise in the link between Nigeria's socioeconomic development and the elimination of fuel subsidies. Eliminating subsidies solves budgetary inefficiencies and paves the stage for long-term growth, but there are also urgent socioeconomic issues that must not be disregarded. Comprehensive policy planning, inclusive discourse, and the political will to enact supportive measures are necessary to achieve a constructive synergy between these two dimensions. Removing subsidies can be a driver for equitable and sustainable socioeconomic growth in Nigeria if it is handled well.

RECOMMENDATIONS

Targeted cash transfers or voucher programs should be put in place by the government to help low-income households deal with the rising cost of living brought on by rising fuel costs. In order to assist residents in diversifying their sources of income, the government should also create and support alternative, less fuel-dependent revenue-generating ventures, such as skill-based cottage enterprises, renewable energy projects, and sustainable tourism.

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