

**FUEL SUBSIDY REMOVAL AND THE NIGERIAN ECONOMY****Uzonwanne, Maria Chinecherem, Ezenekwe, Regina Uju and Iregbenu, Paul Chinenye\*****ABSTRACT**

*Despite the huge amount of money Nigerian government spends on fuel subsidy, the situation in the oil sector has not been promising and Nigerians still experience scarcity of premium motor spirit. There have been dearth of infrastructural investments in the oil sector due to the enormous funds sunk into fuel subsidization, and as it is now, the government is yet to fix her refineries. As a result, there has been little or no significant improvement in the quality of life for the majority of Nigerians, 54 percent of who still lives below the national poverty line. Hence, the main objective of this study was to assess the contributions of the fuel subsidy in the Nigerian economy, that is, the study examined the problems, the prospects and a way forward for the sustainable economic growth in Nigeria. The study used Rosenstein-Rodan's Thesis or Theory of the "Big Push" to drive home the message. The major sources of data used in the study were primary and secondary data. The primary data were collected through the use of questionnaire and the secondary data were also collected. Descriptive statistics was used to analyze the data. The study found that fuel subsidy has not resulted in a significant improvement in the quality of the life for the majority of Nigerians. The study therefore recommended that government should invest heavily on infrastructures and human capital instead of focusing on just removing fuel subsidy.*

**Keywords:** Fuel Subsidy, Big push theory

**JEL Classification:** H2, D11

**I. INTRODUCTION**

A subsidy is defined as any measure that keeps prices for a good or product below market level for consumers or producers. Subsidies can take different forms like grants, tax reduction or exemption, price control, etc. (Alozie, 2009). Oxford Advanced Learners Dictionary (2001) defined subsidy as money paid by a government or an organization to reduce the cost of service or that of producing goods so that their prices can be kept low. In addition, Bakare (2012) points out that to subsidize is to sell a product below the cost of production. Thus, when we talk of fuel subsidy within the Nigerian context it means to sell premium motor spirit below the cost of importation.

January 1, 2012 cannot be seen nor described as the best New Year's gift to Nigerians when fuel subsidy on Premium Motor Spirit (Fuel) was removed, courtesy of the new policy announced by the Petroleum Product Pricing Regulatory agency (PPPRA). As a matter of fact, the problem of fuel subsidy removal or sustaining subsidy regime had featured as a dominant topic for public debate since January 1, 2012 till date. Fuel subsidy, which was initially designed to last for 6 months, was introduced earlier as a temporary measure in 1988 by federal government of Nigeria as part of its Structural Adjustment Program (SAP), was a stop-gap measure as refineries underwent rehabilitation and to stabilize the price of petroleum products.

According to Eyiuche (2012), the federal government, during the military era was of the opinion that the cost of production and its transportation will be so much heavy for the poor Nigerian masses to bear alone due to rise in the price of fuel, decided to pay part of the total amount of fuel cost in order to make the product available and affordable. This military intention of the subsidy on petrol products actually worked from 31<sup>st</sup> march 1973 to 1986 when Gen. Ibrahim Babangida, the former Head of State of Nigeria increased the fuel pump price of petroleum from 20k to 39.5k, which was about 97.5% increment. Sources have it that the situation worsened with the advent of democracy when on June 1<sup>st</sup>, 2000, Chief Olusegun Obasanjo increased the pump price of fuel again from 20 naira to 30 naira (50% increment) and gradually, the aim of the military government that introduced fuel subsidy was subdued and defeated.

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This fuel subsidy policy however, has bred several unintended consequences and malpractices such as the smuggling of petroleum products out of the country, and claims by the federal government that fuel subsidy policy has made them unable to tackle problems of our collective infrastructure such as roads, power, agriculture, fixing the refineries etc. The cost of fuel subsidy has continued to grow exponentially. This is partly due to the rising cost of fuel-which meant that the government had to spend even more to keep its domestic price low- and also due to Nigeria's increasing population-which resulted in increased fuel consumption; together these pressures make the cost of the fuel subsidy unsustainable. By 2011, the subsidy accounted for 30 percent of the Nigerian government expenditure, which was about 4 percent of GDP and 118 percent of the capital budget.

According to Farouk Lawan, as reported by Odemwingie, Ohuegbe and Mu'azu (2012), over 232 billion naira in the form of subsidy was paid to marketers for PMS in 2011 yet the PMS was not supplied and this subsidy has become a scheme for mismanagement of revenues. He discovered that subsidy computation is in two segments - (landing and distribution cost), the Landing Cost constitutes (total cost = 153.64 naira):- Products, Insurance and Freight: 141.40 naira; Lightening Expenses (SVH): 4.03 naira; Traders Margin: 1.19 naira; Storage Charges: 2.60 naira; NPA Port charge: 0.62 kobo Jetty Depot throughout charge: 0.80 kobo; and, Distribution Cost includes (total cost = 15.49 naira):- Retailer's Margin: 4.60 naira; Transporters' Margin: 2.99 naira; Dealers' Margin: 1.75 naira; Marine Transport Average (MTA): 0.15 kobo; Budgeting Fund: 5.85 naira; Administrative Charges: 0.15 kobo.

Further, in the era of Goodluck Ebele Jonathan's reign, the subsidy re-investment programme (Sure-P) was initiated to channel the money realized from the partial removal of subsidy to ameliorate the plight of the generality of Nigerians. The committee set-up was to oversee and ensure the effective and timely implementation of projects to be funded with the savings accrued by the federal government from subsidy removal. SURE-P is basically designed to mitigate the effects of the removal of fuel subsidy and accelerate economic growth through investment in critically needed infrastructures. For them, savings from the subsidy removal under SURE-P are to be invested across major sectors of the economy such as Power, Health, Niger Delta, Youths etc. According to Sure-P, the federal government handles 41% of the intervention, 54% goes to the states and local governments while the remaining 5% goes to ecology (Omafume, 2014).

According to Dr. Bright Okogu, as reported by Omafume (2014), the Director-General of the Federal Budget Office, Sure-P started receiving funds from fuel subsidy in July 2012. By the end of 2012, it received 126 billion naira, 180 billion naira (2013), and 135 billion naira (2014), which comes to the total of 441 billion naira by the end of 2014. These funds however, have their objective which was to increase maternal and child health services, make mass transit available; provision of zero-interest loans to establish transport operations, provide vocational training centers in all the states in the country and the federal capital territory, the construction of road infrastructural projects, to accelerate economic transformation through investment in critical infrastructural projects, to provide internship to the teeming Nigerian graduates yet to be employed, and to mitigate the impact of petroleum discontinuation on the population. Having said this, we shall now turn to stating the problem involved with in our study.

## PROBLEM STATEMENT

The decision of the government to eliminate subsidy sparked massive protest and unrest across the country as fuel costs was skyrocketed officially from 67 naira per litre to 141 naira per litre. Lagos, the second most populated city in Africa, was a characteristic ghost town as a result of this ugly experience of Jan. 1, 2012 (Onyishi, Eme & Emeh, 2012). In 2011 alone, Nigeria's fuel subsidy cost the country an estimated \$8 billion and the price tag for 2012 was expected to be even greater. In 2010, Nigeria earned \$59 billion from oil exports (Donovan, 2011). According to Zainab Ahmed, the Executive Secretary, Nigerian Extractive Industries Transparency Initiative (NEITI), as reported by Salau (2015), the huge amount recovered from oil exports was good enough to repair the faulty refineries and build new ones. She added that the federal government has spent 4.8 trillion naira in the last seven years as subsidy on petroleum products imported into the country and also from the last NEITI Audit Report (2012), a total of 1,355 trillion naira was processed for payment as subsidy. Out of this amount, 690 billion naira was actually paid, putting a debt burden of 655 billion naira on the federal government. The breakdown shows that 116,554 billion naira was paid from 2006 to 2008, 3 trillion naira from 2009 to 2011 and 690 billion naira in 2012. NEITI believes that the amount paid as subsidy is more than enough to repair refineries or build new refineries which could ordinarily reduced the barrels and cost of barrels refined outside and possibly preclude the marketers from importing refined products, yet Nigeria has continued to rely on refined fuel imports to meet more than 70 percent of her domestic needs as she refunds importers a third of the cost of supply.

This attitude of paying subsidies discourages private investors who obtained refining licenses because of concern that accrued costs may not be recovered without market-determined fuel prices. Keeping also the domestic price of oil artificially low with the fuel subsidy has discouraged additional investments in Nigeria's oil sector. Since 2000, Nigeria has issued at least 20 refinery licenses to private companies but, not one refinery has been built because investors could not recoup gains for their investments under the artificially low price structure. Furthermore, subsidy has resulted in the diversion of scarce public resources away from investment in critical infrastructures, while putting pressure on government resources and lastly, the huge price disparity caused by the fuel sub has encouraged smuggling of petroleum products across the borders to neighboring countries, where prices are much higher than Nigeria. Hence, a study such as this is therefore motivated to draw a finding on the impact of fuel subsidy on the Nigerian economy. The questions that guided this study are as follows; what has been the impact of fuel subsidy in Nigerian economy? And does the fuel subsidy removal have a significant impact to the economy?

## II. THEORETICAL AND EMPIRICAL LITERATURE

Different theories abound, but for the purpose of this study, we used Rosenstein-Rodan's Thesis or Theory of the "Big Push" in order to gain more insight into the underlying logic which this study built upon to drive home its major contention.

### ROSENSTEIN-RODAN'S THESIS OR THEORY OF THE "BIG PUSH"

The "Big Push" theory is one associated with Professor Paul Rosenstein-Rodan. It is understood "as a large comprehensive programme which is needed in the form of a minimum amount of investment to overcome the obstacles to development in an underdeveloped economy and to launch it on the path to progress" (Jhingan, 2012). The argument championed by this theory is likened to the taking off of an airplane from the ground. The airplane must assume a critical level of ground speed before it can become airborne. Without this critical ground speed, the airplane cannot take off. Likening it to a country's economy, a high minimum amount of investment must be initiated in order to launch the economy successfully on a development path. The prerequisites here are the indivisibilities and external economies flowing from a minimum quantum of investment (Jhingan, 2012). For Rosenstein-Rodan, there are three kinds of indivisibilities and external economies, namely; indivisibilities in the production function, indivisibility of demand and indivisibility in the supply of savings (Jhingan, 2012).

In the first kind of indivisibilities and external economies, what appears important here is the social overhead capital. To install this, the economy needs a sizeable initial lump of investment. "The services of social overhead capital comprising basic industries like power, transport, and communications are indirectly productive and have a long gestation period. They cannot be imported" (Jhingan, 2012). These indivisibilities of supply of social overhead capital are one of the primary barriers of development in underdeveloped economies as such, "a high initial investment in social overhead capital is necessary to pave the way for quick-yielding directly productive investment" (Jhingan, 2012).

The second kind is the indivisibility or complementarity of demand. This requires setting up of industries that are interdependent. The idea here is that by setting up these industries it creates a situation whereby "producers would be each other's customers and thus create market for their goods" (Jhingan, 2012). The demand for goods here becomes complementary and this helps reduce the risk of creating market and encourages the incentive to invest. In other words, the indivisibility of demand is only possible when there is a high minimum quantum of investment in interdependent industries.

The last kind is the indivisibility in the supply of savings. It is for sure that investment can be done when there is a high volume of savings. However, this is not easy to achieve due to the rate of low income one finds in underdeveloped countries. This can be circumvented by ensuring that income accrued in any form of investment is saved in such a way that the marginal rate of saving is much higher than the average rate of saving.

Given these three indivisibilities and the external economies to which they give rise, a big push in form of a minimum quantum of investment is required to set these underdeveloped economies on the path of sustaining growth. The big push in the Nigerian context then is, removal of the fuel subsidy which has engulfed more funds that would have been used in making investment in various sectors of the Nigerian economy. For instance, with the big push initiated and quantum investment made, more sectors of the economy will be created in a way that they are dependent on each other for market. Hence, this theory lends support to the contention of this study in that, as the study champions, a removal of fuel subsidy can create huge financial resources that will engender a minimum quantum of investment required to positively turn around the Nigerian economy. As

regards the gap to be filled by this study, the lacuna of a theoretical support for the argument for fuel subsidy removal in Nigeria has been filled.

### III. EMPIRICAL LITERATURE

Atoyebi, Kadiri, Adekuyo, Ogundeji and Ademola (2012) carried out a research on the impact of fuel subsidy removal on agricultural sector output. The study employed spearman’s rank correlation and observed the existence of positive correlation between fuel subsidy removal and prices of agricultural output. This then implies that the removal of fuel subsidy would increase the budgetary allocation to the agricultural sector thereby increasing agricultural products. The researchers thereby recommended that a cushioned effect should be introduced by the government through the use of savings from the fuel subsidy removal on agricultural sector and to fast track the maintenance of the nation’s refineries.

Opeyemi et al., (2012) carried out a research on the existence of a long run effect of fuel subsidy reform on environmental quality in Nigeria for the period of 1970 – 2012 using the Johansen and the Granger Two step co-integration procedure techniques. The study developed a three case scenario including (i) a case of subsidy payment (ii) a case of effective subsidy and (iii) a case of no subsidy payment. The estimation result showed that the first and the last case scenario do not significantly influence environmental quality.

Eyiuche (2012) conducted a study on the socio-economic implications of fuel subsidy removal in Nigeria in relation to other oil producing countries in order to estimate the impact of fuel subsidy removal on the Nigerian citizens. From the research, he observed that at 65 naira per liter of fuel, Nigerians were buying fuel at the costliest price among oil producing nations in the world while in some other countries fuel is almost free. He portrayed this fact by showing the petroleum product pricing in different oil producing countries in the table below.

**TABLE 1**  
**Petroleum Product Pricing in Different Counties**

S/N	COUNTRIES	PUMP PRICE US\$
1	Algeria	0.14
2	Britain	0.25
3	Brunei	0.39
4	Egypt	0.31
5	Iraq	0.38
6	Kuwait	0.22
7	Libya	0.17
8	Nigeria	0.87
9	Oman	0.31
10	Qatar	0.22
11	Saudi Arabia	0.16
12	Venezuela	0.023
13	UAE	0.49

**Source:** Adapted from Eyiuche (2012)

According to Eyiuche (2012), the table above speaks volume by exposing how Nigerian masses have been exploited by constant increase of petroleum price by their government. In his research also, he purported that the various petroleum adjustments that has been done in Nigeria by the federal government since 1978 have subjected many Nigerians to pain and distress.

**TABLE 2**  
**Petroleum Product Pricing in Nigeria (1978-2012)**

S/N	DATE	ADMINISTRATION	PRICES	
1	1978	Gen. Olusegun Obasanjo	15.3K	
2	1982	Shehu Shagari	20K	
3	1988	Gen. Babangida	39.5k	300%
4	1992	Gen. Babangida	42k	17%
5	1989	Gen. Babangida	60k	364%

6	1991	Gen. Babangida	70k	54%
7	1994	Chief Ernest Shonekan	5	120%
8	1994/98	Gen. Sani Abacha	11	-
9	2000	Gen. Olusegun Obasanjo	20	82%
10	2000	Gen. Olusegun Obasanjo	22	10%
11	2001	Gen. Olusegun Obasanjo	26	18%
12	2003	Gen. Olusegun Obasanjo	40	54%
13	2004	Gen. Olusegun Obasanjo	45	13%
14	2007	Gen. Olusegun Obasanjo	70	56%
15	2007	Alhaji Umar Musa Yaradua	65	0.07%
16	2012	Dr. Goodluck Jonathan	141	117%

**Source:** Adapted from Eyiuche (2012)

The above table shows the movement in fuel pump price in Nigeria from 1978 to 2015. The diagram below shows that the Nigerian public has been subjected to a number of fuel price hikes since 1978 till date.

Balouga (2012) assessed the political economy of the subsidy removal and found out that the fuel subsidies have not being significantly felt by an average Nigerian whom the subsidy was actually initiated for.

Adagunodo (2013) in his study, examined the removal of fuel subsidies in Nigeria as an economic necessity and a political dilemma. In his research, he concluded that if implemented correctly, the subsidy funds could lead to major development gains for the country. It will also create the space for Nigeria to finally develop refinery capacity and consequently increase its potential revenue from the oil sector and create jobs.

#### IV. RESEARCH METHODOLOGY

This study adopts a quantitative method, a research approach that seeks to gather information in terms of responses that can be quantified. In considering quantitative method, questionnaire is the most common and widely used tool among researchers. This study considers it very effective for collecting data on the opinions of individuals sampled. The study adopts the quantitative method because it allows it to measure the variables statistically and numerically, and also, helps it to identify any relationships between the variables and describe them. The sample selected was 300 people. To make sure we carry out meaningful research, we used simple random sampling. As true random sampling indicates, we have no preference of which respondent is to be selected. For our study, data were primarily obtained, although secondary data were used too. Research questions' testing was done with chi-square of a 5% (0.05) level of significance.

#### DATA PRESENTATION AND ANALYSIS

The findings from the primary data are presented and analyzed below. The table below summarizes all the various statistics; ranging from the mean, median, standard deviation, sum and percentile.

**TABLE 3**  
**Frequencies**

		Participants' responses on the extent they have felt the impact of fuel subsidy in their lives	Participants' responses on the extent they think that petroleum pump price has been affected by fuel subsidy in Nigeria	Participants' responses on the extent they think that fuel subsidy removal will reduce corruption in oil sector in Nigeria	Participants' responses on the extent they think that fuel subsidy removal will reduce corruption in oil sector in Nigeria
N	Valid	299	300	300	300
	Missing	1	0	0	0
Mean		1.50	4.62	3.51	1.31
Median		1.00	5.00	4.00	1.00
Std. Deviation		.687	.791	1.090	.731
Sum		449	1385	1054	392
Percentiles	100	4.00	5.00	5.00	5.00

### Frequency Tables

The frequency tables below summarize the various responses given by respondents, on the questions asked with the questionnaire.

**TABLE 4**  
**Participants' Responses on the Extent they have felt the Impact of Fuel Subsidy in their Lives**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	no extent	177	59.0	59.2	59.2
	very little extent	99	33.0	33.1	92.3
	little extent	18	6.0	6.0	98.3
	great extent	5	1.7	1.7	100.0
	Total	299	99.7	100.0	
Missing	0	1	.3		
Total		300	100.0		

The table above shows the participants' responses on the extent they have felt the impact of fuel subsidy in their life. In percentages, those that went for very great extent are 0%, great extent are 1.7%, little extent are 6%, very little extent are 33% and no extent are 59% respectively.

**TABLE 5**  
**Participants' Responses on the Extent They think That Petroleum Pump Price Has Been Affected by Fuel Subsidy in Nigeria**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	no extent	4	1.3	1.3	1.3
	very little extent	8	2.7	2.7	4.0
	little extent	10	3.3	3.3	7.3
	great extent	55	18.3	18.3	25.7
	very great extent	223	74.3	74.3	100.0
	Total	300	100.0	100.0	

The table above shows the participants' responses on the extent they think that petroleum pump price has been affected by fuel subsidy in Nigeria. In percentages, those that went for very great extent as 74.3%, great extent (purple) is 18.3%, little extent are 3.3%, very little extent are 2.7% and no extent are 1.3% respectively.

**TABLE 6**  
**Participants' Responses on the Extent They Think That Fuel Subsidy Removal Will Reduce Corruption in Oil Sector in Nigeria**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	no extent	20	6.7	6.7	6.7
	very little extent	26	8.7	8.7	15.3
	little extent	88	29.3	29.3	44.7
	great extent	112	37.3	37.3	82.0
	very great extent	54	18.0	18.0	100.0
	Total	300	100.0	100.0	

The table shows the participants' responses on the extent they think that fuel subsidy removal will reduce corruption in oil sector in Nigeria. Those that went for very great extent are 18%, great extent are 37.3%, little extent are 29.3%, very little extent are 8.7% and no extent are 6.7% respectively.

**TABLE 7**  
**Participants' Responses on Whether Fuel Subsidy Has Contributed to Employment in Nigeria**

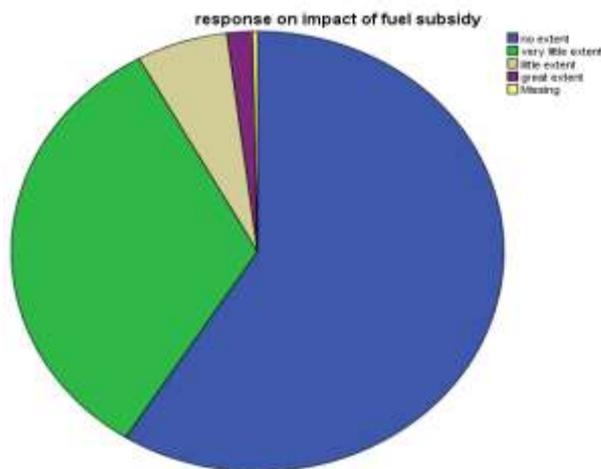
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	no extent	242	80.7	80.7	80.7
	very little extent	35	11.7	11.7	92.3
	little extent	15	5.0	5.0	97.3
	great extent	5	1.7	1.7	99.0
	very great extent	3	1.0	1.0	100.0
	Total	300	100.0	100.0	

The table above shows the participants' responses on whether fuel subsidy has contributed to employment in Nigeria. In percentages, those that went for very great extent are 1%, great extent are 1.6%, little extent are 5%, very little extent are 11.7% and no extent are 80.7% respectively.

**Pie Charts**

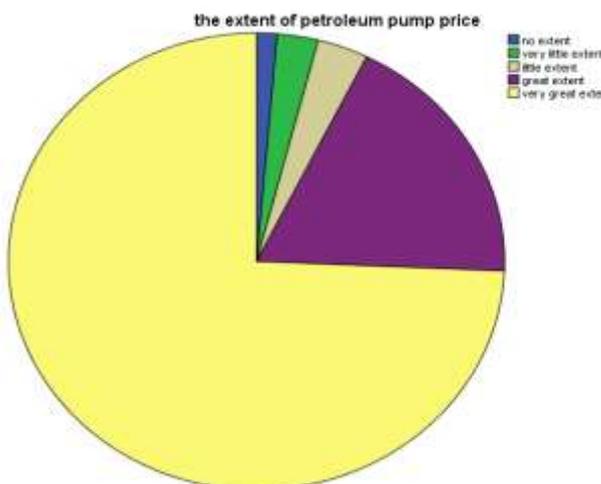
Various responses given in the questionnaire were graphically represented in pie charts. They were based on the percentages of their frequencies.

**Figure 1:**



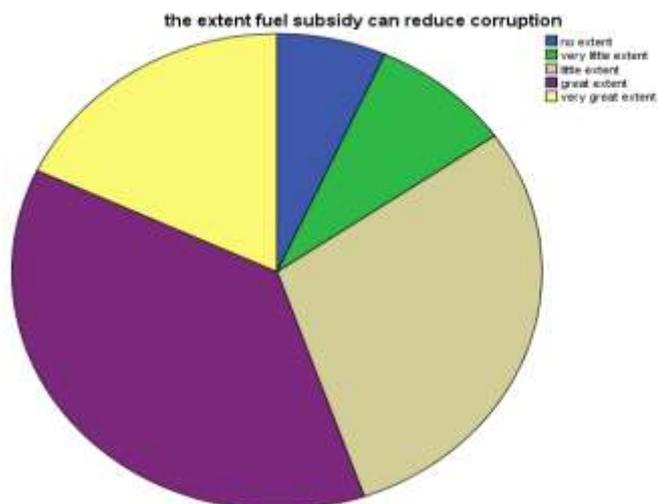
Very great extent is 0%, great extent (purple) is 1.7%, little extent (ash) 6%, very little extent (green) 33%, no extent (blue) 59%.

**Figure 2:**



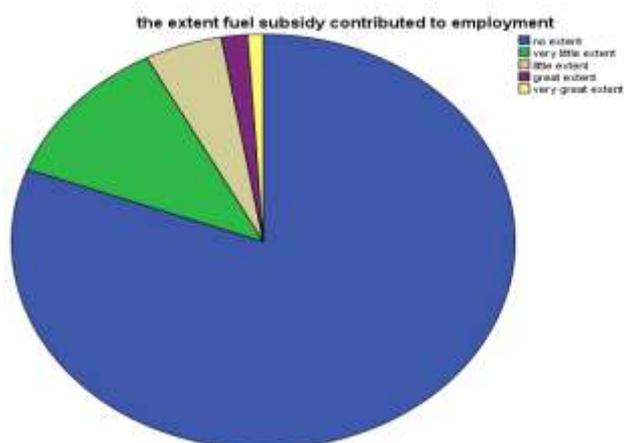
Very great extent (yellow) is 74.3%, great extent (purple) is 18.3%, little extent (ash) 3.3%, very little extent (green) 2.7%, no extent (blue) 1.3%.

**Figure 3:**



Very great extent is 18%, great extent (purple) is 37.3%, little extent (ash) 29.3%, very little extent (green) 8.7%, no extent (blue) 6.7%.

**Figure 4:**



Very great extent is 1%, great extent (purple) is 1.6%, little extent (ash) 5%, very little extent (green) 11.7%, no extent (blue) 80.7%.

**Crosstabs**

The responses graphically represented were cross tabbed in order to explain the relationship between the dependent variable (response on impact of fuel subsidy in their life), and the other independent variables. Also, the Chi square shows their level of significance.

**TABLE 8**  
**Response on Impact of Fuel Subsidy \* The Extent of Petroleum Pump Price**

Crosstab		the extent of petroleum pump price					Total
Count		no extent	very little extent	little extent	great extent	very great	
response on impact of fuel subsidy	no extent :	4	8	10	55	100	177
	very little extent :	0	0	0	0	99	99
	little extent:	0	0	0	0	18	18
	great extent	0	0	0	0	5	5
<b>Total</b>		4	8	10	55	222	299

**TABLE 9**  
**Chi-Square Tests**

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	71.482 <sup>a</sup>	12	.000
Likelihood Ratio	98.754	12	.000
Linear-by-Linear Association	37.731	1	.000
N of Valid Cases	299		

a. 14 cells (70.0%) have expected count less than 5. The minimum expected count is .07.  
From the above analysis, since the Asymp sig value is 0.00, (less than 0.05 confidence level), it shows that the relationship between the two variables is significant

**TABLE 10**  
**Response on Impact of Fuel Subsidy \* the Extent Fuel Subsidy can Reduce Corruption**

Count		the extent fuel subsidy can reduce corruption					Total
		no extent	very little extent	little extent	great extent	very great extent	
Response on impact of fuel subsidy	no extent	20	26	88	43	0	177
	very little extent	0	0	0	69	30	99
	little extent	0	0	0	0	18	18
	great extent	0	0	0	0	5	5
<b>Total</b>		20	26	88	112	53	299

**TABLE 11**  
**Chi-Square Tests**

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	264.676 <sup>a</sup>	12	.000
Likelihood Ratio	300.722	12	.000
Linear-by-Linear Association	143.736	1	.000
N of Valid Cases	299		

a. 8 cells (40.0%) have expected count less than 5. The minimum expected count is .33.  
From the above analysis, since the Asymp sig value is 0.00, (less than 0.05 confidence level), it shows that the relationship between the two variables is significant.

**TABLE 12**  
**Response on impact of fuel subsidy \* the Extent Fuel Subsidy Contributed to Employment**

Count		the extent fuel subsidy contributed to employment					Total
		no extent	very little extent	little extent	great extent	very great extent	
response on impact of fuel subsidy	no extent	177	0	0	0	0	177
	very little extent	65	34	0	0	0	99
	little extent	0	1	15	2	0	18
	great extent	0	0	0	3	2	5
<b>Total</b>		242	35	15	5	2	299

**TABLE 13**  
**Chi-Square Tests**

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	562.342 <sup>a</sup>	12	.000
Likelihood Ratio	249.096	12	.000
Linear-by-Linear Association	191.163	1	.000
N of Valid Cases	299		

a. 14 cells (70.0%) have expected count less than 5. The minimum expected count is .03.

From the above analysis, since the Asymp sig value is 0.00, (less than 0.05 confidence level), it shows that the relationship between the two variables is significant.

#### IV. FINDINGS

Following from the foregoing, the study observed the following:

- There is no impact of fuel subsidy on the lives of Nigerians. As seen in table 4, 59% of the participants did not feel the impact of fuel subsidy in their lives. 33% were of the opinion that the impact of fuel subsidy was to a very little extent, while it was to a little extent to 6%. It can be inferred that fuel subsidy has no impact and needs to be removed.
- Fuel subsidy has affected petroleum pump price. As seen in table 5, 74% of the participants agreed that fuel subsidy has affected petroleum pump price. This percentage of participants shows that a large number of participants are in affirmation. It can be inferred that a removal of fuel subsidy can bring down the petroleum pump price.
- It is uncertain to say that fuel subsidy removal will reduce corruption in the Nigerian oil sector. Table 7 showed that 37.3% of the participants agreed to a great extent that fuel subsidy removal will reduce corruption in the Nigerian oil sector while 29.3% agreed to a little extent. It can be inferred that corruption in the Nigerian oil sector may not be reduced by the removal of fuel subsidy.
- Fuel subsidy has not contributed to employment in Nigeria. Table 8 showed that 80% of participants did not agree that fuel subsidy has contributed to employment in Nigeria. It can be inferred that a fuel subsidy removal can do a lot of good in creating employment in Nigeria.

#### V. RECOMMENDATIONS

Based on the findings, we hereby recommend the following:-

1. Government should remove fuel subsidy.
2. Government should give more attention on refining her petroleum here in Nigeria by fixing her refineries and possibly build new ones. In fact, government should deregulate the downstream sector of the petroleum industry.
3. Government should embark on massive infrastructural investments in major sectors like health, education, power and works with funds saved from fuel subsidy removal. This will create employment for Nigerians and also, market for these sectors, which will eventually, serve as a big push for the ailing Nigerian economy.
4. The government should allow free market operations.

#### VI. CONCLUSION

In conclusion, major objective of the study is to assess the contributions of fuel subsidy in Nigeria. Based on the findings, it is concluded that the subsidy on fuel has not contributed significantly to the Nigerian economy. The result of this study will be useful to Nigerians as they will comprehend and be enlightened on the need for subsidy to be removed. The fuel subsidy removal is germane in order to develop other sectors of the economy, which consequently will create the market for goods produced in these respective sectors. This will eventually push the Nigerian economy to a great height.

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