International Journal of Innovative Legal & Political Studies 13(2):59-65, April-June, 2025

© SEAHI PUBLICATIONS, 2025 www.seahipublications.org ISSN: 2467-8503

doi:10.5281/zenodo.15379022

Evaluation Of The Impact Of Fuel Subsidy Removal On Family Income And Sustainability In Delta State

Dr. OLATUNBOSUN Sunday Emmanuel Odusanya[1]; ONWO Ferguson[2] & P.I. Chuke [3]

[1,2,3]Department of Political Science
Novena University, Ogume, Delta State, Nigeria

ABSTRACT
This study assessed the impact of fuel subsidy removal on household income and sustainability in Delta State. A descriptive survey research design was employed, guided by three research questions. The study population consisted of all households within Delta State, totaling 253,462 individuals. A sample of 185 respondents was selected through simple random sampling. Data were collected using a structured questionnaire, and the reliability of the instrument was established through the split-half method, yielding a correlation coefficient of 0.76. Descriptive statistical tools were used to analyze the data. The findings indicated that fluctuations in global oil prices played a key role in the decision to remove the fuel subsidy, which in turn led to increased transportation costs and a subsequent rise in food prices. The study concluded that the underlying factors behind the fuel subsidy removal are closely linked to the challenges faced by households in maintaining their livelihoods. It was recommended that government interventions—such as salary increases for civil servants and business incentives—could help households better manage the rising cost of living and foster a more optimistic future.
Keywords: fuel subsidy removal, household income, sustainability

INTRODUCTION
To mitigate the impact of rising petroleum product prices—which directly trigger increases in the cost of other essential goods, especially food—the issue of fuel subsidies by the Federal Government of Nigeria has gained renewed importance in efforts to make life more affordable and manageable for citizens. For decades, the government maintained fuel subsidies to keep pump prices within reach of the average Nigerian. However, this practice has severely strained other developmental initiatives, pushing the government to resort to borrowing. One of the primary reasons for this burden is the non-functional state of the country's refineries, which has made Nigeria heavily reliant on imported petroleum products. This dependency has led to excessive expenditures, aggravated by the actions of powerful interest groups and smugglers who divert fuel to neighboring countries for profit (Nnodim, 2022). Fuel subsidy refers to financial assistance provided by the government to reduce the cost of petroleum products for consumers. In Nigeria, subsidies have been implemented to enhance affordability and accessibility, thereby improving the standard of living. Government funds are used to bridge the gap between the actual importation cost of Premium Motor Spirit (PMS) and the price at which it is sold to consumers, aiming to sustain citizen welfare and correct market imbalances. Since the 1970s, the Nigerian government has covered this difference, but while subsidies help reduce living costs, they also place a heavy financial burden on national resources (Adegoke, 2023).
Fuel subsidy removal, as defined by Oladeji and Akinlabi (2022), refers to the government's deliberate withdrawal of financial support that keeps fuel prices artificially low. While intended to ease consumer

access, subsidies drain public finances and divert funds from critical sectors like health, education, and infrastructure. Over time, the continuous rise in petrol prices and the scarcity resulting from subsidized rates have negatively affected the public. For over three decades, Nigeria's refineries have remained non-functional due to inconsistent policies, poor maintenance culture, and corruption. Consequently, the nation exports crude oil and spends heavily importing refined products—an irony that undermines the local economy, devalues the naira, stifles job creation, discourages local value addition, and inflates the national budget (Adekunle & Akinyemi, 2021). Ultimately, removing the fuel subsidy is a necessary step toward revitalizing Nigeria's struggling economy. The subsidy regime has long been marred by corruption and inefficiency, offering little tangible benefit despite consuming a significant portion of the national budget. Although the decision to end fuel subsidies was delayed due to political considerations and fear of public backlash, it is a critical move toward fostering transparency, economic stability, and national growth from cabals and corrupt people benefiting from fuel subsidies made the government hesitant to overhaul it. Nonetheless, there has been agitation for general reformation of the whole nation's infrastructure and economy as well all of which is centred on fuel subsidy removal (Ojide & Akpan, 2022). The subsidy was brought in to buffer the effect of the oil price hike in 1977 by the then military Governments. However, its advantages are long overdue. It is now taking its toll on the nation's growth, development and, of course, the economy.

Nigeria has long relied on the importation of petrol due to the persistent dysfunction of its domestic refineries, a situation that has severely hindered economic development and national growth. This dependency has enriched a few influential cabals, corrupt officials, and cross-border petrol smugglers, while the general population bears the brunt. Since the return to civilian rule in 1999, the country has experienced frequent unrest, constant hikes in fuel prices, recurring product shortages, and strikes in protest against the poor state of petrol production and distribution (Omotola, 2007). With the inauguration of President Bola Ahmed Tinubu on May 29, 2023, a significant policy shift occurred as his administration officially removed the longstanding fuel subsidy. In his inaugural address, President Tinubu declared the end of petrol subsidy, leading to a sharp increase in pump prices—from ₦185 to between ₦800 and ₦900 per litre. This abrupt policy change triggered a surge in the prices of goods and services, along with further pressure on the foreign exchange market, intensifying the strain on the nation's economy.

This situation underscores the urgent need for strategic and well-structured planning around subsidy reform to minimize the widespread hardship inflicted on ordinary Nigerians. The most pronounced impacts are felt within the petroleum sector, where some retailers reportedly withheld existing fuel stocks in anticipation of price hikes to maximize profit. It was only after the Nigerian National Petroleum Company (NNPC) Limited—a government-owned entity responsible for fuel imports—officially adjusted its pump prices and issued a statement confirming the implementation of the subsidy removal that retail sales resumed. Other fuel marketers quickly followed suit (Udenta, 2022). Household income refers to the combined earnings of all members of a family unit, accumulated daily, weekly, or monthly (Anyanwu, 2014). The level of family income often determines a household's financial status and quality of life. Families with higher income levels can afford better housing, nutrition, healthcare, and education, ensuring higher living standards and improved academic outcomes for their children (Akiri, 2019).

However, with the removal of the fuel subsidy, all citizens now feel the economic pressure, as household expenditures have skyrocketed without a proportional rise in income. This mismatch means many families are now spending significantly more than they earn, worsening financial stress. From an equity perspective, the subsidy removal is problematic, as it disproportionately affects the poor and middle class. It creates income disparities and fails to provide an effective safety net for those most in need (Adebayo, 2020). The inequality becomes even more evident in how energy subsidies were previously distributed—households that relied heavily on products like kerosene and liquefied petroleum gas (LPG) now face excessive costs, exacerbating social and economic disparities. Lower-income households typically bear a heavier energy burden (Oyedepo, 2019). Furthermore, public spending on energy subsidies often displaces other more redistributive forms of government expenditure. Despite the potential adverse effects on real household incomes—especially for the poor who are least capable of absorbing rising fuel costs—the Nigerian government remains committed to eliminating fuel subsidies.

This study is grounded in Adam Smith's Rational Choice Theory, which posits that individuals make decisions by evaluating the potential costs and benefits of their actions (Scott, 2000). The theory provides a framework for understanding how individuals and households make rational choices regarding fuel consumption and their adaptations to changing fuel prices. It assumes that individuals act logically to maximise satisfaction, cost-effectiveness, and utility—even when faced with significant price hikes in fuel and other essential goods. Despite the hardships, many Nigerians are forced to adjust to skyrocketing commodity prices. Hence, evaluating the extent of income loss among households due to rising fuel costs is crucial, as household incomes cannot keep pace with the increasing expenses. The soaring cost of living has made it increasingly difficult for families to meet basic needs such as food. Additionally, the proportion of income spent on transportation is becoming overwhelming, pushing many toward financial instability and, in extreme cases, economic dependency. These concerns raise critical questions: Is the removal of fuel subsidies irreversible? Is the government unaware of the inflationary pressures on basic goods? Could the revival of Nigeria's refineries offer a more sustainable solution to the high cost of petroleum products? These concerns form the foundation of this research.

While removing subsidies may encourage more efficient energy use and ease the government's fiscal burden—freeing up resources for sectors like education and health (World Bank, 2019)—the reality remains that low-income households and vulnerable groups bear the brunt of this policy. This study aims to evaluate the social implications of fuel subsidy removal, particularly on vulnerable populations. It contributes new perspectives on how subsidy removal affects the shift toward renewable energy and its broader impact on sustainable development. When coupled with well-targeted support programs, subsidy removal can help alleviate poverty in line with Sustainable Development Goals (SDGs), especially SDG 1 (No Poverty) and SDG 10 (Reduced Inequality). However, without proper management, the removal of subsidies could deepen poverty and inequality. Therefore, this research focuses on assessing the impact of fuel subsidy removal on household incomes in Delta State.

Research Questions

The following research questions guided the study:

(a) What are the possible factors that necessitate fuel subsidy removal in Delta State?

(b) What are the impacts of fuel subsidies on family income?

(c) What are the possible challenges households encounter in family sustenance?

MATERIALS AND METHODS

This study adopted a descriptive survey design, which was instrumental in identifying variables, interpreting existing relationships, assessing attitudes, practices, and processes, and comparing independent and dependent variables. The design enabled the researchers to effectively capture the views and perceptions of households in the study area regarding the impact of fuel subsidy removal. Prior to data collection, ethical approval was obtained from the traditional leader of the study community. All participants were duly informed about the study's objectives, data collection procedures, and the benefits of their participation. In addition, participants were assured of the confidentiality and anonymity of their personal information and were given the right to withdraw from the study at any point without any repercussions.

The target population consisted of adult residents in Delta State, totaling 253,462 individuals. A sample size of 185 respondents was selected using a purposive sampling technique, ensuring that ethical and practical considerations were met while maintaining the reliability and accuracy of the findings. Data were collected using a structured questionnaire titled Impact of Fuel Subsidy Removal on Family Income Questionnaire (IFSRFIQ). The instrument utilized a 4-point Likert scale format, allowing respondents to express their level of agreement with various statements. The scale options were: Strongly Agree (SA = 4), Agree (A = 3), Disagree (D = 2), and Strongly Disagree (SD = 1).

The questionnaire comprised two sections: Section A gathered demographic data, while Section B included items related to the impact of fuel subsidy removal on family income. Topics covered included reasons for subsidy removal, its effects on household finances, challenges in family sustenance, and coping strategies adopted by households. The researchers, with the assistance of two trained aides, personally administered all 185 questionnaires to ensure full participation and minimize data loss. Completed questionnaires were collected immediately upon completion. The collected data were analyzed using mean and standard deviation. A decision benchmark of 2.5 was used as the cut-off point. Items with a mean score of 2.5 or higher were interpreted as "agreed," while those with a score below 2.5 were interpreted as "disagreed."

RESULTS AND DISCUSSION

Table 1: Possible factors that necessitate fuel subsidy in Delta State

SN	Items	Mean	SD	Decision
1	The fluctuation of oil prices in the international market necessitated subsidy removal	3.36	0.08	Agreed
2	The high level of corruption necessitated subsidy removal	3.37	0.07	Agreed
3	The unbearable increase in government expenditure led to subsidy removal	3.42	0.05	Agreed
4	The need to make petroleum and other products of crude oil readily available led to subsidy removal	3.62	0.18	Agreed

SD = Standard deviation

Table 1 presents the mean responses on the perceived factors that necessitated fuel subsidy removal in Delta State. Items 1, 2, 3, and 4 recorded mean scores of 3.36, 3.37, 3.42, and 3.62, respectively all above the 2.50 benchmark. This indicates consensus among respondents that key reasons for the removal of fuel subsidy include fluctuations in international oil prices, widespread corruption, the unsustainable rise in government expenditure, and the need to ensure the consistent availability of petroleum and other crude oil products.

Table 2: Impacts of fuel subsidy on family income

S/N	Items	Mean	SD	Decision
1	Fuel subsidy removal led to higher prices for fuels consumed for cooking, heating, lighting and private transport	3.42	0.07	Agreed
2	The removal of fuel subsidies increases poverty and vulnerability among household members	3.52	0.03	Agreed
3	Fuel subsidies resulted in inequality as richer households benefited more	3.41	0.08	Agreed
4	Reduced income and savings due to an increase in expenditure	3.61	0.12	Agreed

Table 2 presents the mean responses regarding the impact of fuel subsidy removal on family income. Items 1, 2, 3, and 4 recorded mean scores of 3.42, 3.52, 3.41, and 3.61, respectively—all exceeding the cut-off mark of 2.50. This indicates that respondents agreed that the removal of fuel subsidy has led to increased costs for fuels used in cooking, heating, lighting, and private transportation; heightened poverty and vulnerability among household members; greater inequality, with wealthier households benefiting more; and a decline in income and savings due to rising household expenditures.

Table 3: Possible challenges encountered by households in family sustenance

SN	Items	Mean	SD	Decision
1	The higher cost of transportation due to subsidy removal increases the cost of food prices	3.67	0.77	Agreed
2	The increased fuel cost leads to a rise in inflation, and this results in a devaluation of the local currency	3.41	1.03	Agreed
3	Removal of the fuel subsidy brings a reduction in employee's income as they must pay more for other utilities	3.64	0.80	Agreed
4	Transportation companies are likely to increase their fees due to the high cost of diesel and petrol	3.58	0.86	Agreed
5	Fuel subsidy removal can have an indirect impact on energy costs as increased fuel prices will lead to higher energy expenses	3.48	0.96	Agreed

Table 3 presents the mean responses regarding the challenges households face in sustaining their families following the removal of the fuel subsidy. Items 1 through 5 recorded mean values of 3.67, 3.41, 3.64, 3.58, and 3.48, respectively—each exceeding the 2.50 cut-off mark. This suggests a consensus among respondents that the higher cost of transportation has significantly driven up food prices. Additionally, respondents agreed that increased fuel prices have triggered inflation, leading to currency devaluation, reduced employee incomes due to increased utility expenses, and higher transportation fees imposed by operators facing high diesel and petrol costs. It was also acknowledged that fuel subsidy removal has indirectly raised energy costs. The study highlights that global oil price fluctuations contributed to the removal of fuel subsidies. As oil prices rise, the government's expenditure on imported refined fuel increases—an issue exacerbated by Nigeria's lack of functional local refineries. The country, despite being an oil producer, exports crude oil and relies on imports of refined products, which strains public finances. As noted by Otio (2024), Nigeria's moribund refineries necessitate continued fuel importation, which in turn puts pressure on the naira. Oyewole (2021) further argues that subsidies largely benefit elites and enable arbitrage, including smuggling to neighboring countries.

Participants also agreed that subsidy removal has led to significant increases in prices for fuels used in cooking, lighting, heating, and transportation. It has also heightened poverty and inequality, disproportionately affecting poorer households while richer households benefit more. Household incomes and savings have diminished as daily expenses rise. For instance, a staple like beans now costs over ₦4,000 per rubber, compared to under ₦1,000 before subsidy removal. According to Oyebanji (2020), high transport costs drive up the prices of agricultural products due to long distances between farms and markets. Umeji and Eleanya (2021) also found that subsidy removal disproportionately affects the poor, who face higher transport fares and increased food costs. Though the government maintains that subsidy removal is in the public interest, the reality is a sharp decline in households' purchasing power, making it difficult to afford basic needs. IMF (2019) acknowledges that while subsidies help stabilize fuel prices and lower living costs, they place a heavy burden on government finances. Adeniyi (2021) links rising living costs to increased poverty and crime as families and businesses struggle to survive.

Adeoye (2020) observed that political concerns, corruption, and vested interests have delayed subsidy reform in the past, though a consensus is emerging on its necessity. The removal is seen as a step toward

reform, but without adequate cushioning measures, it exacerbates hardship. To mitigate the impact, solutions such as developing more affordable transport systems like rail and sea, diversifying income sources, and increasing wages including the minimum wage were suggested. Oladeji (2020) emphasized that subsidy payments divert funds from critical sectors such as education, infrastructure, health, and security. PwC (2023) adds that subsidy removal could attract investment and reduce currency strain.
Nevertheless, questions remain about whether the government is effectively using the freed resources. According to IMF (2019), fuel subsidies are a major obstacle to energy reform. Ozili and Obiora (2023) argue that subsidy removal could potentially free resources for investment in other sectors, stimulate domestic refining, and reduce reliance on imports, with possible employment gains. The study concludes that elevated fuel prices and reduced household income have curtailed access to essential services, increased the cost of transportation, and worsened poverty, especially among women and vulnerable populations. However, the findings are limited by the lack of detailed national household income and expenditure records, and thus may not be generalizable across all Nigerian states. Future research could explore how rising costs influence family relationships, particularly among Nigerian workers.

CONCLUSION
Based on the findings of the study, it was concluded that factors such as fluctuations in global oil prices, widespread corruption, and unsustainable government expenditures were key drivers behind the removal of the fuel subsidy. This policy shift has had a profound impact on household income and the overall sustainability of family life in Nigeria. As a result, it is recommended that households diversify their sources of income to cushion the adverse effects of the subsidy removal. The Nigerian government should work towards stabilizing oil prices in the global market and increase the salaries of civil servants. Additionally, incentives should be provided to support business owners in managing the rising cost of goods and services. Revamping the country's refineries is also crucial to reducing dependency on imported petroleum products and lowering fuel costs. Moreover, the government should extend financial support beyond students to include small-scale entrepreneurs. To ease the burden on citizens, federal, state, and local governments should introduce subsidized public transportation. Lastly, business owners must be cautioned against imposing unreasonable price hikes that further strain household finances.

REFERENCES

Adebayo, B. (2020). Fuel Subsidy Removal and Economic Growth in Nigeria. Journal of Economic Policy and Development, 14(1), 1–12.

Adegoke, A. (2023). The Impact of Subsidies on Economics Development. Journal of Economic Studies, 50(1), 1–12.

Adekunle, S. A., & Akinyemi, O. (2021). Fuel Subsidy and Economics Growth in Nigeria: An Empirical Analysis. Journal of Economic and Financial Studies, 9(2), 1–12.

Adeniyi, O.A. (2021). Socio-Economic Impacts of Fuel Subsidy Removal in Nigeria. International Journal of Energy and Environmental Engineering, 12(2), 1–12. https://doi.org/10.1007/s40094-021-00456-6

Adeoye, B. (2020). Fuel Subsidy Reform in Nigeria: A political Economy Perspective. Journal of Political Economy and Development, 7(1), 1–18. https://doi.org/10.15640/jped.7.1.01

Akiri, A. A. (2019). Socio- Economic Factor and Academic Performance of Students in Nigeria.

Journal of Education and Human Development, 8(1), 1–9.

Anyanwu, S. C. (2014). Family Income and Expenditure Patterns in Nigeria. Journal of Economics and Finance, 6(2), 1–12.

IMF. (2019). Nigeria: Selected Issues. IMF REPORT. NO.19/244

Nnodim, O. (2022). Battle fuel supply hitches as smuggling thrives.

Ojide, G.C., & Akpan, E.O. (2022). Fuel Subsidy Removal and Economic Development in Nigeria: A review of the Literature. Journal of Economic Development 25(1), 1–18.

Oladeji, S.O. (2020). Fuel Subsidy Payments and Developmental Spending in Nigeria. Journal of Developmental Studies, 11(2), 1–12.

Oladeji, S. O., & Akinlabi, H. N. (2022). Fuel Subsidy Removal and Economic Growth in Nigeria: A Granger Causality Approach. Journal of Energy Economics and Policy, 12(2), 1–12.

Otio, J. (2024, March 1). Full List of Functional and Non-Functional Refineries in Nigeria.

PwC. (2023). Post Fuel Subsidy Removal Presents Transformative Opportunity for Nigeria's Oil and Gas. URL