

THE EFFECT OF FUEL SUBSIDY REMOVAL IN NIGERIA ECONOMY IN KEFFI LOCAL GOVERNMENT AREA, NASARAWA STATE

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Abstract

This study investigates the effect of fuel subsidy removal in Nigeria economy in Keffi Local Government Area in Nasarawa State, Nigeria. Utilizing primary data, the research incorporates key variables such as Fuel Subsidy (FS), Fuel Subsidy Removal (FSR) and Inflation, through rigorous statistical analysis, descriptive survey research design was adopted, using Taro Yamane formula. It was found that there is a positive and significant effect of fuel subsidy removal on living standard of the people, it also found that there is a strong positive significant effect of fuel subsidy removal on price of goods and services. It was also found that there is a statistical moderate positive significant effect of fuel subsidy removal on the measures adopted to curb economic challenges in Keffi Local Government Area, Nasarawa State. The study recommends that Government recognizes the positive impact on the living standard, advises policy makers to implement and strengthen social support programs; government should establish effective monitoring mechanisms to track price changes across various sectors and moderate the impact on measures adopted to curb economic challenges, policymakers should explore and implement a diversified set of economic strategies. to encourage local production of goods and services and further attract more capital inflow of foreign direct investment (FDI) into the country.

Keywords: Fuel, Fuel Subsidy Removal, Inflation, Nigerian Economy.

Introduction

The removal of fuel subsidies in Nigeria has contributed to serious high inflation as it has also led to an increase in fuel prices. This, in turn raised transportation costs and the prices of goods and services throughout the economy. The historical context of fuel subsidy removal in Nigeria reveals instances where such actions have sparked protests due to the immediate impact on the cost of living for citizens. The new administration of His Excellency Dr. Ahmed Bola Tinubu has initiated critical reforms to address macroeconomic imbalances. This window of opportunity could have a transformative impact on the lives

of millions of Nigerians and establish a solid foundation for sustainable and inclusive growth. The removal of the petrol subsidy and foreign exchange (FX) management reforms are crucial measures to begin to rebuild fiscal space and restore macroeconomic stability, and the opportunity should be seized to take further, necessary policy reform steps, says the latest Nigeria Development Update (NDU). The June 2023 edition of the NDU, titled “Seizing the Opportunity”, adds that it is critical to implement a comprehensive reform package that encompasses a range of complementary measures, including a new social compact to protect the poor and most vulnerable, to maximize the collective impact on growth, job creation, and poverty reduction.

In the first part of 2023, Nigeria’s economic growth weakened, and real gross domestic product (GDP) growth fell from 3.3% in 2022 to 2.4% year-on-year (y-o-y) in Q1 2023. The challenging global economic context has put pressure on Nigeria’s economy. However, domestic policies play the major role in determining Nigeria’s economic performance and resilience to further external shocks. The previous mix of fiscal, monetary, and exchange rate policies, including the naira redesign program, did not deliver the desired improvements in growth, inflation, and economic resilience. The new government has recognized the need to chart a new course and has already made a start on critical reforms, such as the elimination of the petrol subsidy and reforms in the FX market.

With the petrol subsidy removal, the government is projected to achieve fiscal savings of approximately 2 trillion naira in 2023, equivalent to 0.9% of GDP. These savings are expected to reach over 11 trillion naira by the end of 2025. However, compensating transfers will be essential to help shield the most vulnerable Nigerian households from the initial price impacts of the subsidy reform, as without compensation, many households could be pushed into poverty by higher petrol prices and have to resort to coping mechanisms with long-term adverse consequences. Similarly, the move to harmonize the FX windows will help to improve the efficiency of the FX market, unlock private investment, and reduce inflationary pressures, but it is crucial to complete this important reform by removing FX restrictions, clearly communicating how the new FX regime will operate, and implementing supportive monetary and fiscal policies.

The current move by the Government to implement long-anticipated reforms such as the removal of costly and opaque petrol subsidy, and efforts to harmonize the multiple FX windows, are timely and crucial to set Nigeria on the path of economic growth. These reforms should be accompanied by compensatory actions to mitigate the short-term impact on the poor, said Shubham Chaudhuri, World Bank Country Director for Nigeria. “Nigeria should now seize the opportunity to implement a robust, large-scale cash transfer program to provide quick relief to the poor, near poor, as well as low-income households which are most directly affected by higher petrol prices, as part of a broader compact to redirect scarce fiscal resources towards development priorities.” The report recommends specific, critical measures to build on the new government’s bold start in making critical reforms, to ensure that Nigeria rises to its full potential. These include:

Restoring agro-economic stability by increasing non-oil revenue, reducing inflation through a sequenced and coordinated mix of trade, monetary and fiscal policies, and completing the FX reform, expanding social protection to protect the poor and most vulnerable, and developing and communicating how, as fiscal space recovers, resources will be redirected over time to meet urgent development challenges. “The government has made a welcome, bold start to implement the critical macro-fiscal reforms needed to address the persistently high inflation and low fiscal revenues hindering economic growth. Deepening and sustaining these changes is imperative, to enable Nigeria to break out of the cycle of macroeconomic instability, low investment, sluggish economic growth, escalating poverty, and fragility. Having created momentum, the government has the opportunity to undertake further comprehensive reforms encompassing a range of complementary measures, such as lifting the FX import restrictions which continue to distort the FX market,” said Alex Sienaert, World Bank Lead Economist for Nigeria and co-author of the Report.

The Nigerian economy has been heavily reliant on subsidies for many years. However, recent debates have emerged surrounding the effectiveness of these subsidies and their impact on the economy. In particular, there is concern that the removal of subsidies could lead to inflationary pressures. This study aims to investigate the effects of subsidy removal on the inflationary status of the Nigerian economy, with

a specific focus on Keffi LGA, Nasarawa State. Previous research has examined the impact of subsidy removal on the economy as a whole, but there is limited research on the specific effects of subsidy removal at a local level. By examining the case of Keffi LGA, Nasarawa State, this study will provide valuable insights into the impact of subsidy removal on local economies and inform policy decisions in the future. Under the new administration of President Bola Ahmed Tinubu, who assumed office on May 29, 2023, the need to eliminate subsidies has become more urgent. The previous administration had delayed the subsidy removal deadline till June 2023. However, President Ahmed Tinubu appears determined to end the subsidy system, which raises concerns about rising fuel and transportation costs, which could lead to an increase in the working poor masses and also increase the inflationary ratio of Nigerian economy.

Research on the effects of fuel subsidy removal on the inflationary status of Nigerian economy has been the most current and most challenging issue faced by Nigerian citizens today. This research evidence will show the effect of fuel subsidy removal on the purchasing power of Naira and equally on the standard of living of Nigerians. Petroleum is the mainstay of the Nigerian economy. It plays a very crucial role in shaping and modifying the economic, political and social destiny of the country. The discovery of oil in commercial quantities in Oloibiri, Bayelsa State in the year 1956 and later at Bomu in Gokana Local Government Area of the Eastern Niger Delta region of Nigeria in February 1958 established Nigeria as an oil producing country. The oil sector, as the prime mover of the economy became apparent in the 1970s due to the dramatic increase in oil process and the rise in the nation's proven oil reserves and production.

Subsidy has been defined as aids directly granted by government to an individual or private commercial enterprise deemed beneficial to the public. (Ogundipe D.O. 2013). According to Ogundipe D.O. 2013, Fuel Subsidy can be said to be the financial aid granted to autonomous and foremost oil marketers by the government for them to supply their products at a cheaper rate for the good of the masses. This move is almost always aimed at boosting the economy of a country, providing social amenities for the people, stabilizing the market, creation of employment opportunities and of course, the new theory of it is capable of fighting corruption as postulated by the Nigerian government. The issue of subsidy is not alien to the nation's down-stream because it existed during the military regime (1975 – 1979) when the four refineries of the nation could only produce little which could not even satisfy the domestic needs of the people. Then, a need arose for the importation of finished petroleum products such as diesel, petrol and kerosene to meet the domestic need of Nigerians. For this reason, the influential Nigerians and those in the corridors of power considered the sudden wealth that will result from this opportunity and started acquiring the various wells in the country and finally, they overtook the petroleum industries. This undoubtedly was the birth of the child of fuel problems Nigerians are nurturing today especially as it affects petroleum.

On the first day of January, 2012 Nigerians woke up to face one of the greatest shocks of their lives when the removal of fuel subsidy was announced by the federal government at a time perceived wrong, in a way many saw as erroneous, in a situation several believed was unstable and with arguments many opined came with a sinister motive. This raised the price of a liter of petrol from N65 to N141. A drive through the memory lane revealed that subsidy was once removed on kerosene and diesel by the then Federal government of Nigeria on reasons similar to one gave by the federal government (under the administration of Dr. Goodluck Jonathan Eberechukwu) and with promises that such policy will have a long-lasting positive effects on all areas in the nation. However, nothing tangible could be said to be the celebrated outcome of the said policy. It was argued by the then federal government that the removal of subsidy on diesel and kerosene would make the products available and affordable but it turned out to be fallacious fabrications, the products have become scarcer and expensive, instead of the promise of its availability. Saddening enough, none of the crippled refineries was brought back to its feet from the money realized from the removal of subsidy on diesel and kerosene. One begins to wonder if the time-honored saying 'once bitten twice shy' was not the rhythm in the minds of long-suffering Nigerians when the Petroleum Products Pricing and Regulatory Agency (PPRA) announced the infamous policy on the 1st of January, 2012.

After weeklong protests by Nigerians, which was led by the Nigerian Labor Congress (NLC), Trade Union Congress (TUC), and some civil society groups, government bowed to public pressure not to remove the fuel subsidy entirely in view of some negative effects it would unleash on the populace, especially where there was absence of palliative and coupled with the fact that the government took the

people by surprise. The government after much hesitation, made a U-turn in her policy, partially removed the subsidy and reduced petrol price from N141 to N97 per litre. Although, it was not a return to status quo Nigerians had wanted but, they heaped much of their hope on government planned palliative to cushion the negative effects the partial removal of the fuel subsidy would have on the masses. Unfortunately, most of the promised palliative such as massive job creation, easy transportation and other goodies did not get out of government's drawing board.

Early 2014, the same government was again touting with the idea of removing what remained of the subsidy, which the people thought is the only benefits they derive from the nation's naturally endowed petrol – dollar largesse. The government argued that a tiny percentage of Nigerians called the “cabals” are the ones hugely profiting from the subsidy largesse and that the current low price of oil will always encourage smuggling of the product along our numerous porous borders. Government also said that the total fuel subsidy removal will attract more investment in the downstream oil sector which will boost employment and the economy.

However, the removal of subsidies has been controversial in Nigeria, with many arguing that it will lead to higher inflation and hurt the most vulnerable members of society. This study aims to examine the effects of subsidy removal on the inflationary status of the Nigerian economy, with a focus on Keffi LGA, Nasarawa State. Specifically, the study will investigate the impact of subsidy removal on the prices of goods and services in the region, and assess the effectiveness of government policies to mitigate the impact of subsidy removal on inflation. The findings of this study will provide valuable insights into the economic consequences of subsidy removal in Nigeria, and contribute to the development of best practices for policymakers in the region.

Statement of the Problem

The government policy of fuel subsidy removal was to bring about positive effects and changes to the economy through subsidy reinvestment programs such as SURE – P and to eradicate oil related corruption, thereby increasing the standard of living of Nigerians, which evidently has effects on the inflationary rate in the economy of Nigeria, particularly in Keffi LGA, Nasarawa state.

Regrettably, fuel subsidy removal has brought about increase in the inflationary level of Nigeria economy which makes it more difficult to allocate resources efficiently due to fluctuations in the relative price level, and deters investment and saving since it makes future prices unpredictable (Eze & Nweke, 2017). Investigating the impact of fuel subsidy removal on the inflationary status of the Nigerian economy within the specific context of Keffi LGA, Nasarawa state, is a vital undertaking. This study sheds light on how the elimination of fuel subsidy directly influences the economic landscape, particularly in a region like Keffi LGA, Nasarawa State.

In Keffi LGA, Nasarawa State, the removal of fuel subsidies results in a significant upswing in the cost of production, thereby increasing the expenses associated with rendering services, house rents, and transportation. As these costs surge, it becomes increasingly challenging for residents to maintain their standard of living, and inflationary pressures become more pronounced. This research, anchored in Keffi LGA, Nasarawa State, offers a unique perspective on the localized impact of fuel subsidy removal on the daily lives of its inhabitants.

Moreover, the removal of fuel subsidy is closely linked to the general inflationary trend, causing prices of goods and services to escalate. This study also recognizes a potential association between subsidy removal and heightened corruption within the economic environment, subsequently influencing inflation rates.

Furthermore, the rising cost of education emerges as a significant component, contributing to the inflationary status within Keffi LGA, Nasarawa State. By delving into both short-term and long-term effects, this research seeks to provide a comprehensive understanding of how fuel subsidy removal affects the economic dynamics within this specific region. The study of Keffi LGA, Nasarawa state, offers a detailed examination that is instrumental in comprehending the broader implications of fuel subsidy removal in the Nigerian economy.

Objectives of the Study

The main objective of the study is to examine the effects of fuel subsidy removal on the inflationary status of Nigerian economy. The specific objectives are to:

- i. ascertain the effect of fuel subsidy removal on living standard of people in Keffi Local Government Area of Nasarawa State.
- ii. examine the effect of fuel subsidy removal on prices of goods and services in Keffi Local Government Area of Nasarawa State.
- iii. determine the effect of fuel subsidy removal on measures adopted to curb the economic challenges in Keffi Local Government Area of Nasarawa State.

Conceptual Review

This chapter reviews the literature on the effects of fuel subsidy removal on the inflationary status of Nigerian economy. It discusses issues that arose from the removal of subsidy from different perspectives and with the view of giving a theoretical and empirical foundation to the study. According to Nwachukwu and Worlu (2023), conceptual research revolves around the concept that defines or elucidates the phenomenon under investigation. In a conceptual review, the emphasis lies in comprehending the conceptual basis of a topic rather than examining empirical evidence or specific applications (Nwachukwu & Tumba, 2023). This section reviews the major concepts discussed in the study which includes fuel subsidy removal and inflationary status of Nigerian economy

Fuel Subsidy

Fuel subsidy is a government policy that aims to reduce the cost of fuel for consumers. It is a form of financial assistance provided by the government to reduce the cost of fuel for consumers. Subsidy is any measure that maintains the prices paid for product or goods by consumers below market level and above market level for producers. It means an assistance given to businesses or individuals by the government in form of tax reduction, cash or reduction of cost of goods and services. The main rationale behind subsidy is to help businesses and individuals purchase needed goods and services which they may under normal circumstances not be able to afford. Subsidies could come in different form, ones that have direct and those that have indirect impact on prices. Subsidies that have direct impacts include tax reduction, grants and price controls. On the other hand, the subsidies that have indirect impacts include technology sponsored by the government, government regulation in favor of a particular market among others (Adebivi, 2011).

According to Onyeizugbe & Onwuka (2012), fuel subsidy means that a proportion of the amount consumers are to pay for the usage of petroleum products is paid by the government in order to relieve the burden of the price. The government of Nigeria removed the fuel subsidy declaring that the prices being paid by the citizens are lower than what they are supposed to pay when compared with those of the international market. Fuel subsidy could also be viewed according to Majekodunmi (2013) as a government program which is created to lessen the price to be paid by Nigerians for oil products. These oil products include Automated Gas Oil (Diesel), Petroleum Motor Spirit (PMS) and Dual Purpose Kerosene (DPK). Subsidy of fuel is predominant in countries that produce oil such as Iran, Egypt, Venezuela, Malaysia, Burma, South Korea, and China among others.

Fuel subsidy removal policies are very responsive to the structure of an economy, a country's level of development, state of the economy and political system. Studies have shown that countries that have succeeded in fuel subsidy removal have taken a slow approach and done a lot of research before implementation. This can be made possible by the effective communication as well as a high level of trust between the government and its citizens (Centre for Public Policy Alternatives, 2012).

Iyobhebhe (2012) argued that many Nigerians have access to affordable petroleum products through fuel subsidy. Petroleum subsidy represents universal benefit and not a benefit targeted specifically at the poor (Comia & Stewart, 1993). Similarly, Hobhebhe (2012) was of the opinion that subsidy is an indirect way of redistributing wealth to the poor and if stopped, government must find a way of

compensating Nigerians, explain how the resulting inflation will be managed and how the savings from the removal of subsidy will be utilized.

In addition, Akinwale, Olaopa, Ogundari and Siyanbola (2013) claimed that a large number of the citizens have gravely opposed the government's removal of fuel subsidy because it is against the Millennium Development Goals (MDGs) which are aimed at reducing the level of poverty in the country. The subsidy is usually given to oil companies, who then sell the fuel at a lower cost to consumers. The goal of fuel subsidy is to make fuel more affordable for low-income households and to stimulate economic growth. Fuel subsidy has been a controversial topic in recent years, with some arguing that it is an inefficient use of government resources. Critics argue that fuel subsidy is a regressive policy that benefits the wealthy more than the poor, as the wealthy consume more fuel than the poor. They also argue that fuel subsidy encourages overconsumption of fuel, which is bad for the environment.

On the other hand, proponents of fuel subsidy argue that it is necessary to keep fuel prices low, as high fuel prices can lead to inflation and economic instability. They also argue that fuel subsidy is necessary to protect low-income households from the effects of high fuel prices. Subsidy is aimed at lessening the burden or cost of certain products and an attempt at financial support by the government. There are two types of subsidy; they are direct and indirect subsidies. Direct subsidies are targeted towards a particular group, individual or sector. Indirect subsidies on the other hand include activities such as price reductions for required goods or services that can be government-supported. Indirect subsidies lead to subsidized products being bought below-market rates. In this case, the government fixes the price of petrol below the 'international' rate and pays the difference.

The concept of subsidy has been widely discussed and defined by various authors in the literature. Subsidies are financial or non-financial incentives provided by the government or other organizations to support specific industries, sectors, or individuals (Scott & Kvilhaug, 2022). They are intended to alleviate economic burdens, promote growth, and address market failures.

According to IMF et al. (2020), subsidies can take various forms, including direct government expenditures, equity intrusions, tax incentives, soft loans, government provision of goods and services and procurement on favorable terms, and price supports such as price reduction. While Haley and Haley (2013) argued that subsidies are provided in diverse formats, encompassing direct assistance such as cash grants and interest-free loans, as well as indirect support such as tax exemptions, insurance coverage, low-interest loans, accelerated depreciation, and rent rebates.

These forms of support aim to lower the cost of production, encourage investment, stimulate demand, or improve access to essential goods and services. Subsidies are often targeted at specific sectors, such as agriculture. Energy, education, healthcare. or housing, to achieve desired social and economic outcomes. At present, Nigeria implements two types of subsidies. The initial one according to Akanbi (2023) involves compensating for the disparity between the actual retail price of petrol, which is determined by calculating the landing cost and existing margins. The second subsidy covers transportation expenses, amounting to approximately N30 per liter, to maintain consistent petrol prices nationwide (Akanbi, 2023).

Fuel Subsidy Removal

Fuel subsidy removal is a government policy that involves the elimination of fuel subsidies. This policy is often implemented as a response to economic challenges, such as budget deficits, inflation, and currency devaluation. Fuel subsidy removal is a controversial policy that can have significant economic and social consequences. When fuel subsidy is removed, the price of fuel increases, which can lead to inflation and economic instability. The increased cost of fuel can also result in higher transportation costs, which can negatively impact low-income households. Additionally, fuel subsidy removal can lead to social unrest, as citizens may protest against the increased cost of living.

However, proponents of fuel subsidy removal argue that it is necessary to reduce government spending and promote economic growth. They argue that fuel subsidy removal can lead to a more efficient use of government resources and reduce the burden on taxpayers. They also argue that fuel subsidy removal can encourage the development of alternative energy sources and reduce the dependence on fuels.

Theoretical Framework

The theory that will guide this research work is Quantity theory of Money. In monetary economics, the quantity theory of money (often abbreviated QTM) is one of the directions of Western economic thought that emerged in the 16th-17th centuries. The QTM states that the general price level of goods and services is directly proportional to the amount of money in circulation, or money supply. For example, if the amount of money in an economy is double, Quantity theory of money predicts that price levels will also double. The theory was originally formulated by Renaissance mathematician Nicolaus Copernicus in 1517, and was influentially restated by philosophers John Locke, David Hume and Jean Bodin. The theory experienced a large surge in popularity with economists Anna Schwartz and Milton Friedman's book, "A Monetary History of the United States", published in 1963.

According to the quantity theory of money, if the amount of money in an economy double, all else equal, price levels will also double. This means that the consumer will pay twice as much for the same amount of goods and services. This increase in price levels will eventually result in a rising inflation level; inflation is a measure of the rate of rising prices of goods and services in an economy.

Tenet of Quantity Theory of Money (QTM)

According to the quantity theory of money, the general price level of goods and services is proportional to the money supply in an economy—assuming the level of real output is constant and the velocity of money is constant.

Empirical Review

Fuel subsidy removal policies are very responsive to the structure of an economy, a country's level of development, state of the economy and political system. Studies have shown that countries that have succeeded in fuel subsidy removal have taken a slow approach and done a lot of research before implementation. This can be made possible by the effective communication as well as a high level of trust between the government and its citizens (Centre for Public Policy Alternatives, 2012). Iyobhebhe (2012) argued that many Nigerians have access to affordable petroleum products through fuel subsidy. Petroleum subsidy represents universal benefit and not a benefit targeted specifically at the poor (Comia & Stwart, 1993).

Similarly, Iyobhebhe (2012) was of the opinion that subsidy is an indirect way of redistributing wealth to the poor and if stopped, government must find a way of compensating Nigerians, explain how the resulting inflation will be managed and how the savings from the removal of subsidy will be utilized. In addition, Akinwale, Olaopa, Ogundari and Siyanbola (2013) claimed that a large number of the citizens have gravely opposed the government's removal of fuel subsidy because it is against the Millennium Development Goals (MDGs) which are aimed at reducing the level of poverty in the country.

According to Okwanga, Ogbu and Pristine (2015) petroleum motor spirit may not be used in the actual production of goods but it is used for their distribution; adding to their final cost of production. Hence, Nigeria is a high consumer of energy fuel. Unfortunately, with four government owned refineries with an installed capacity of 445, 000 barrels per day, more than enough to cover its domestic requirements, Nigeria is still a net importer of refined petroleum products (Onyeizugbe & Onwuka, 2012) making it the only member of the Organization of Petroleum Exporting Countries (OPEC) still importing refined fuel (Adekoya, 2020).

Successive Nigerian governments, despite huge earnings from oil export, have failed in the provision of social amenities needed by its people and in poverty reduction, hence, the introduction of fuel subsidy in the mid-1980s (Agu, Ekwutosi & Augustine, 2018) to ameliorate the suffering of the people due to the high cost of pump price of fuel.

Also, according to Mukaramah Harun (University of Utara Malaysia) who said that the removal of fuel subsidies exposed the product prices in every sector to changes in the world oil prices. Therefore, policymakers should anticipate possible oil price hikes to avoid a possible economic disturbance.

Research Design

The research design for this study is descriptive survey design. According to Nwankwo (2011) descriptive survey is concerned with the collection of data from a sample drawn from a given population to describe certain features of the population as at the time of study and which are of interest to the researcher. The use of descriptive research survey design in building up this project work was considered appropriate because of its advantages of identifying attributes of a large population from a group of individuals. The design was suitable for the study as the study sought to a critical analysis of the effects of fuel subsidy removal on inflationary status of the Nigerian economy.

Area of the Study

This study is pointed down to specifically examine the extent to which fuel subsidy removal affected the overall Nigerian economy by increasing inflation rate, Anguwan Lambo and Anguwan Jaba in KEFFI LGA in Nasarawa State is taken as case study to examine the following:

1. The purchasing power of the people before and after fuel subsidy was removed.
2. To find out the extent to which fuel subsidy removal has affected the living standard of the people in Keffi Local Government Area of Nasarawa State.
3. To identify how far fuel subsidy removal has affected the prices of goods and services.

Population of the Study

Population of a study is a group of persons or aggregate item, things the researcher is interested in getting information on the critical analysis of the effects of fuel subsidy removal on the inflationary status of Nigerian economy. The residents of Anguwan Lambo and Anguwan Jaba in KEFFI LGA of Nasarawa State were selected randomly by the researcher as the population of the study. The randomly selected population is estimated to be 517 people.

Sample Size and Sampling Procedures

Sample is the set of people or items which constitute part of a given population. Due to large size of the target population, the researcher used the Taro Yamane formula to arrive at the sample population of the study.

The Taro Yamane method for sample size calculation was formulated by the statistician Tara Yamane in 1967 to determine the sample size from a given population. To arrive at an equitable sample size, Taro Yamane's Formula for determining sample size was adopted. The formula states thus

$$n = \frac{N}{1+N(e)^2}$$

Where n = Sample Size

N = Population

e = error limit

1 = constant.

$$n = \frac{N}{1+N(e)^2}$$

$$n = \frac{517}{1 + 517(0.05)^2}$$

$$n = \frac{517}{1 + 517(0.0025)}$$

$$n = \frac{517}{1 + 1.2925}$$

$$n = \frac{517}{2.2925}$$

$$n = 225.518$$

Approximately 226

A total of two hundred and twenty-six (226) of the population were selected, using purposive sampling technique, on the condition that they operate commercial activities in Anguwan Lambo and Anguwan Jaba community in KEFFI LGA of Nasarawa State, Nigeria.

Validity of the Instrument

The questionnaire used as the research instrument was subjected to face its validation. This research instrument (questionnaire) adopted was adequately checked and validated by the supervisor. His contributions and corrections were included into the final draft of the research instrument used.

Reliability of the Instrument

The reliability of the instrument was done using Cronbach Alpha which tested for internal consistency of the questionnaire. A total of 30 copies of the questionnaire were distributed. In the end, 30 copies were returned, coded and fed into SPSS which helped in running the analysis. The result as shown in Table 3.2 below (97%) reveals that it is consistent enough to be used for this work.

Table 3.8.1: Reliability Statistic

Cronbach's Alpha	N of Items
.968	30

Source: Field Survey, 2023

Computation: SPSS version 25

Method of Data Analysis

The data were analyzed using of descriptive and inferential statistics, through the help of Statistical Package for Social Sciences (SPSS) version 25. The descriptive statistics include frequencies and percentage, while the inferential statistics will be regression analysis (to test the hypothesis). The hypothesis will be tested at a 5% (0.05) level of significance. The hypothesis will be accepted if the probability value (p-value) observed after the analysis is less than the level of significance deployed (0.05), otherwise, the null hypothesis will be accepted.

Table 4.1.2 Age

Age	Frequency	Percentage
Below 20	3	1
21 – 30	68	31
31 — 40	96	44
41 and above	52	24
Total	219	100

Source: Field Survey, 2023.

Table 4.1.2 above shows that 3 (1%) fall within the age bracket of below 20 years, 68 (31%) fall under 21 – 30 years, 96 (44%) fall under the age bracket of 31 – 40 and 52 (24%) fall within the age bracket of 41 and above.

Table 4.1.3 Marital Status

Status	Frequency	Percentage
Married	100	46
Single	115	52
DIVORCED	4	2
Total	219	100

Source: Field Survey, 2023.

Table 4.1.3 above shows that 100 (46%) of the respondents are married, 115 (52%) are single while 4 (2%) of the respondents are divorced.

Table 4.1.5 Occupation

Questionnaire	Frequency	Percentage
Civil servant	70	32
Self employed	67	30
Transporter	45	21
Working professional	20	9
Student	17	8
Total	219	100

Source: Field Survey, 2023.

Table 4.1.5 above shows that 70 (32%) of the respondents are civil servants, 67 (30%) are self-employed, 45 (21%) are Transporters, 20 (9%) are working professionals and 17 (8%) are Students.

Analysis of Data

Decision rule

The necessary decision will be made with reference to the analysis of mean rating which is Strongly Agree (SA)(5points), Agree (A) (4points), Disagree (D) -(3points), Strongly Disagree (SD)- (2points) and Undecided (U) –(1point). The mean of the rating is presented as $(5+4+3+2+1)/5 = 3.0$. Hence, with the mean score, any score below 3.0 will be regarded as disagree and scores above 3.0 will be regarded as agree.

Table 4.3.2 Coefficient Result for Hypothesis One

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.495	.620		4.021	.000
	Fuel Subsidy Removal	.654	.034	.792	19.113	.000

a. Dependent Variable: Standard of Living

Source: Field Survey, 2023

Table 4.3.3: ANOVA output for Hypothesis One

Model	Sum of Squares	Df	Mean Square	F	Sig.
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1	Regression	2309.759	1	2309.759	365.311	.000 ^b
	Residual	1372.031	217	6.323		
	Total	3681.790	218			

a. Dependent Variable: Standard of Living

b. Predictors: (Constant), Fuel Subsidy Removal

Source: Field Survey, 2023

Table 4.3.4 Regression Result for Hypothesis Two

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.952 ^a	.907	.907	1.19560

a. Predictors: (Constant), Fuel Subsidy Removal

Source: Field Survey, 2023

Table 4.3.5 Coefficient Result for Hypothesis Two

		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
Model		B	Std. Error	Beta		
1	(Constant)	3.029	.304		9.958	.000
	Fuel Subsidy Removal	.782	.017	.952	46.042	.000

a. Dependent Variable: Price of Goods & Services

Source: Field Survey, 2023

Table 4.3.8 Coefficient Result for Hypothesis Three

		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
Model		B	Std. Error	Beta		
1	(Constant)	3.520	.784		4.488	.000
	Fuel Subsidy Removal	.488	.044	.599	11.029	.000

a. Dependent Variable: Measures Adopted to curb Economic Challenges

Table 4.3.9: ANOVA output for Hypothesis Three

Model	Sum of Squares	Df	Mean Square	F	Sig.
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1	Regression	1108.687	1	1108.687	121.647	.000 ^b
	Residual	1977.733	217	9.114		
	Total	3086.420	218			

a. Dependent Variable: Measures Adopted to curb Economic Challenges

b. Predictors: (Constant), Fuel Subsidy Removal

Summary of Findings

The following are the summaries of the findings of this study:

- There is a statistically strong positive significant effect of fuel subsidy removal on living standard of people in Keffi Local Government Area of Nasarawa State, that a 62.7% change in the dependent variable (standard of living) is as a result of changes in the independent variables (fuel subsidy removal) in the studied local government area ($R = .792$, $R\text{-Square} = .627$, $F\text{ statistics} = 365.311$, $t\text{-value} = 19.113$, $P\text{-value} < .05$).
- There is a statistically strong positive significant effect of fuel subsidy removal on price of goods and services in Keffi Local Government Area of Nasarawa State, that a 90.7% change in the dependent variable (price of goods and services) is accounted for by changes in the independent variables (fuel subsidy removal) in the studied local government area ($R = .952$, $R\text{-Square} = .907$, $F\text{ statistics} = 2119.888$, $t\text{-value} = 46.042$, $P\text{-value} < .05$).
- There is a statistically moderate positive significant effect of fuel subsidy removal on the measures adopted to curb economic challenges in Nasarawa Local Government Area of Nasarawa State, that a 35.9% change in the dependent variable (measures adopted to curb economic challenges) is as a result of changes in the independent variables (fuel subsidy removal) in the studied bank ($R = .599$, $R\text{-Square} = .359$, $F\text{ statistics} = 121.647$, $t\text{-value} = 11.029$, $P\text{-value} < .05$).

Conclusions

In conclusion, the study conducted at Keffi LGA, Nasarawa State, reveals compelling evidence of the removal of fuel subsidies has a statistically strong positive significant effect on the living standards of people in the studied area. The analysis suggests that approximately 62.7% of the change in the standard of living is attributed to the removal of fuel subsidies. This indicates that, despite potential challenges, the overall impact on living standards is positive. The study reveals a statistically strong positive significant effect of fuel subsidy removal on the prices of goods and services in Keffi Local Government Area. About 90.7% of the change in the price of goods and services is associated with the removal of fuel subsidies. This implies that the removal has a substantial impact on the cost of living and economic activities in the region. The findings indicate a statistically moderate positive significant effect of fuel subsidy removal on the measures adopted to curb economic challenges in the studied area. Around 35.9% of the change in the measures adopted to address economic challenges is attributed to the removal of fuel subsidies. While the impact is moderate, it suggests that the removal has influenced strategies implemented to mitigate economic challenges. This is to say that, the study suggests that the removal of fuel subsidies in Keffi Local Government Area has multifaceted effects. It positively influences living standards but has a more pronounced impact on the prices of goods and services. Additionally, it moderately influences the measures taken to address economic challenges. These findings provide valuable insights for policymakers and stakeholders in assessing the consequences of fuel subsidy removal and formulating strategies to manage its effects on the local economy.

Recommendations

The following are recommended by this study;

1. Recognizing the positive impact on living standards, it is advisable for policymakers to implement or strengthen social support programs to assist vulnerable populations affected by the increase in the cost of living. This could include targeted subsidies, welfare programs, or other initiatives aimed at mitigating the potential adverse effects on low-income households.
2. Given the significant influence on the prices of goods and services, authorities should establish effective monitoring mechanisms to track price changes across various sectors. Additionally, regulatory measures may be considered to prevent unjustified price hikes and to ensure that the benefits of subsidy removal are not unduly transferred to consumers.
3. As the removal of fuel subsidies has a moderate impact on measures adopted to curb economic challenges, policymakers should explore and implement a diversified set of economic strategies. This could include investment in alternative energy sources, fostering economic diversification, and supporting local industries to enhance resilience against economic challenges associated with fuel subsidy removal.

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