



RESEARCH ARTICLE

ASSESSING THE IMPACT OF THE 2023 FUEL SUBSIDY REMOVAL ON LOW-INCOME FAMILIES IN NIGERIA

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ABSTRACT

This study aims to examine the impact of the 2023 fuel subsidy removal on Nigerian households, with a particular focus on its socio-economic implications. The policy change affected Nigerians in areas such as transportation, access to food, cost of petrol products, inflation rates and household income. As a qualitative research, the study employed the descriptive research design in analysing secondary data, while providing the basis for reviewing related literature such as books, journals, articles, government reports and newspapers. This research design also provided historical context and insights into the complex dynamics surrounding the policy change and the politics of fuel subsidy in Nigeria. Drawing from relevant portions of the social conflict theory, the study provided a comprehensive understanding of the underlying issues of the most recent subsidy removal in Nigeria. The findings from the study reveal that the removal of fuel subsidy has significant negative impacts on Nigerian households such as reductions in household income, altered consumption patterns, decline in living standards, increased transportation costs and rising inflation rates. In other words, the 2023 fuel subsidy removal further exacerbates the financial burdens on vulnerable populations including low-income owners. Based on the findings, the study recommends the implementation of a phase-out approach to subsidy removal, the provision of palliative measures for poor households and the promotion of budgeting and planning strategies for economic growth and national development.

Keywords: Subsidy, poverty, inequality, price hike, economy.

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1.0. INTRODUCTION

Government policies and decisions affect the lives of citizens to a great extent. One reason about this phenomenon is that in modern societies, the role of government has continued to expand (Adenikinju, 2022). From its traditional functions of maintenance of law and order and the protection of the territorial integrity of the state, government have, in recent times, been involved with sundry duties such as the provision of social welfare for the weak and the vulnerable in the society, regulation of the economic and business climate, provision of infrastructure, among others. On welfare, the 1999 Nigerian constitution in Section 14 (2b) proclaims explicitly that the security and welfare of the people shall be the primary purpose of government (Odinakachukwu, 2022) Therefore, policies like subsidy, free education and healthcare, conditional cash transfer, etc. are expected to be geared towards ensuring the greatest happiness for the greatest number of people in the polity. Fuel subsidies have traditionally helped to keep the cost of living lower for Nigerians by providing cheaper fuel for transportation and power generation. However, the removal of fuel subsidies resulted in a sharp increase in fuel prices, which in turn raised the cost of goods and services across the country (Ugo, 2011). In other words, the 2023 fuel subsidy removal has exacerbated multidimensional poverty in Nigeria by increasing the cost of living and deepening economic hardships for vulnerable populations (Njoku & Sidhu, 2021).

This would likely result in an increase in inflation, reduced purchasing power for consumers, and heightened economic hardship for many Nigerians. The removal of fuel subsidies in Nigeria in 2023 has sparked widespread economic concerns, with significant impacts on household welfare. As fuel prices rise, transportation costs will increase, affecting the livelihoods of those who rely on public transportation or diesel-powered generators for their businesses. This could lead to widespread protests and backlash from the population, as seen in previous instances of fuel subsidy removal in Nigeria. Overall, the 2023 fuel subsidy removal is likely to have a detrimental impact on the lives of many Nigerians, and the government would need to implement measures to mitigate these negative effects.

However, because of Nigeria's faulty economic system of exporting crude oil and importing fuel, the country has remained at the mercy of the vicissitudes in the international oil market.

Faced with lean resources and increase in crude oil prices in the international market, the Nigerian government, in trying to rationalise the prices of petroleum products, push part of the burdens to the citizens through fuel price increases. When that happens, the citizens who are at the receiving end of the policy react, especially in rejection to the price increases and this provided the motivation for this empirical study. As fuel prices surged, the cost of living has risen dramatically, affecting both low-income and middle-income families. The problem lies in understanding the extent of these effects on Nigerian households, particularly in terms of income distribution, inflationary pressures, and accessibility to basic needs like food, transportation, and energy. With a large portion of the population already living in poverty, the removal of fuel subsidies threatens to exacerbate inequality and deepen economic hardship, raising questions about the government's capacity to mitigate these effects through alternative policies.



1.1. STATEMENT OF PROBLEM

History has shown that an increase in the prices of petroleum products, especially in Nigeria, usually trigger inflation, leading to increase in transportation cost, prices of goods and services, etc. This will inadvertently increase cost of living and drastically reduce real income for individuals and households especially those in the middle- and low-income cadres. Also, over the past decades, the oil subsidy patchwork has been allegedly bedevilled by criminal tendencies of oil importers and sharp practices in the distribution of import allocation, approval of subsidy payments and actual release of subsidy cheques. In Nigeria, more than 25 oil marketers have been indicted to face criminal charges and a host of other marketers that have benefitted from fuel import subsidies are said to be statutorily unqualified to import fuel as they were not licensed to carry out any form of business in Nigeria (The Nation, 2018). The National Assembly's investigation into how subsidy has been operated revealed and the crooked manner fuel subsidy has been shared amongst oil marketers and the appalling inefficiency and corruption in the Nigerian National Petroleum Corporation (Aghedo, 2012).

1.2. RESEARCH QUESTION

1. How has the removal of the fuel subsidy in 2023 affected the cost of living and household expenditures among low-income families in Nigeria?
2. What coping strategies have low-income households adopted in response to the economic challenges caused by the fuel subsidy removal?
3. What role have government's social support programmes played in mitigating the impact of the fuel subsidy removal on vulnerable households?

1.3. RESEARCH OBJECTIVES:

1. To examine the impact of the 2023 fuel subsidy removal on the cost of living and household expenditures among low-income families in Nigeria.
2. To analyse the coping strategies adopted by low-income households in response to the economic challenges caused by the fuel subsidy removal.
3. To assess the effectiveness of government's social support programmes in mitigating the impact of the fuel subsidy removal on vulnerable households.

1.4. SIGNIFICANCE OF THE STUDY

This research will provide valuable insights into the impact of the 2023 fuel subsidy removal on Nigerians. The significance of the study can be viewed from both theoretical and empirical perspectives. Theoretically, the findings from the study will be of immense benefit to scholars, researchers and other categories of knowledge seekers in the social and management science discipline as it will serve as a source of resource material for future research in the area of the study or similar areas. Additionally, the study will also benefit every other category of knowledge seeker that is affected by the policy of subsidy removal. Empirically, the findings from this research will be of significant benefit to policymakers to make informed decisions and recommendations regarding policy changes and how they affect the citizens at large. Also, it will serve as a feedback mechanism for possibility of policy adjustments where necessary, and as input for future policy actions



2.0. LITERATURE REVIEW

2.1 CONCEPTUAL FRAMEWORK

2.1.1. Fuel Subsidy

Fuel subsidy is a financial assistance provided by the government to reduce the cost of fuel price for consumers. It is done to keep fuel prices lower and make it more affordable for the general population particularly for low-income households and to support economic activities that rely heavily on fuel such as transportation. Fuel subsidy also means the fraction of the price that consumers are supposed to pay to enjoy the use of petroleum products are paid by the government so as to ease the price burden (Chinedu et al., 2017).

Nigeria ran two forms of subsidy before the inauguration of Tinubu's administration. The first is the payment of the difference between the actual pump price of petrol which is arrived at after calculating the landing cost and the extant margins and the other is the cost of transportation paid on every litter to ensure that the price of petrol is similar across the country (Ogundipe, 2013) Subsidies exist because the government fixes the price of Petrol for consumers below the international price and uses government resources to pay for the difference, therefore the purpose of fuel subsidy removal is to lower fuel price cost and ease the burden on consumers and stability the economy by controlling inflation pressures.

The history of Nigeria is deeply ingrained in the gasoline subsidy. Higher expenses resulted from the country's oil being processed in Europe and then brought back. The government offered subsidies to help consumers with this financial burden. This subsidy affected the prices of nearly all goods and services in the country because it was closely tied to fuel prices. The subsidy was first implemented in the 1970s as a response to fluctuating oil prices around the world. Over time, it solidified and developed to represent a significant financial burden for the government (Evans et al, 2023)

2.1.2. Fuel Subsidy Removal

Fuel subsidy removal is the process of ending government financial assistance for fuel causing prices to rise to market levels, this leads to increased fuel costs and can have economic and social impacts. In many countries including Nigeria fuel subsidies are regarded as part of an implicit social contract between citizens and the state (Bebelawiand et al, 1987) therefore reducing or removing subsidies without improving social welfare protection maybe considered a unilateral change in the social contract which gives rise to protests and political instability. The removal of subsidies by the government signifies a withdrawal of support from crucial sectors, including energy, education, health, and social services. This decision has far-reaching implications, potentially affecting the affordability and accessibility of essential services for citizens. Without subsidies, the cost of these services may increase, making them unaffordable for vulnerable populations, such as low-income families, students, and seniors. This could lead to a decline in the overall well-being of citizens, exacerbating poverty, and widening the gap between the rich and the poor. In the energy sector, subsidy removal may result in higher fuel and electricity prices, increasing the cost of living for households and businesses. In education, it may lead to higher tuition fees, making it difficult for students to pursue their studies. In healthcare, it may result in increased medical costs, making it challenging for people to access necessary care. The social sector may also be



affected, with reduced funding for welfare programmes and social security, leaving many without a safety net. The purpose of removing fuel subsidy is usually to reduce government spending and promote more efficient use of resources, the decision to remove subsidy is often part of a border economic reforms aimed at improving overall health of the economy but also has it impacts which varies across different income groups with lower income individuals and families potentially facing more significant challenges due to increased fuel costs. (Aderonke, 2023).

2.1.4. Low-Income Families

Low-income families are households that earn below a certain financial threshold, limiting their ability to meet basic needs such as food, housing, healthcare and education (Sherraden, McKernan, 2008). Economic factors such as unemployment, inflation and wage stagnation contribute to their financial struggles, while social factors like education level, family structure and access to healthcare further shape their living conditions (Hill, 2011). These families often rely on coping strategies such as income diversification, reduced spending and social support networks. Government policies, including social welfare programmes and fuel subsidies, play a crucial role in alleviating their challenges (Sherraden & McKernan, 2008). Understanding the dynamics of low-income families is essential for developing policies that promote economic stability and social mobility.

2.2.1. Theoretical Framework: Welfare Economics Theory

Several theories have provided insight and explain impacts of fuel subsidy removal on Nigerian masses. The inadequacy of these theories prompted the study to resort to Welfare Economics Theory because of its ability to fill the gaps in the extant measures and provide larger insight into explaining the impact of fuel subsidy removal on Nigerians. Welfare Economics Theory emerged in the late 19th and early 20th centuries as economists sought to evaluate economic policies based on their impact on social well-being (Smith, 2010; Smith, 1812). Rooted in the works of Adam Smith and Alfred Marshall, the theory evolved to address income distribution, market efficiency and government intervention in economic welfare (Dobb, 1975). Vilfredo Pareto's concept of efficiency and Pigou's externalities framework played key roles in shaping modern welfare economics (Just, Hueth & Schmitz, 2004). The theory focuses on optimising resources to maximise societal well-being, emphasising policies that improve economic conditions for vulnerable populations (Singh, 2006; Dwivedi, 2023). It explores concepts such as Pareto efficiency (where no one can be made better off without making someone else worse off), social welfare functions (evaluating collective well-being) and market failures (where government intervention is needed). Welfare economics is widely used to assess policies such as taxation, subsidies and social protection programmes to ensure equitable economic outcomes (Johansson, 1991).

2.2.2. Empirical Review

Peterson and Kingsley (2023) studied the macroeconomic and microeconomic implications of the 2023 fuel subsidy removal in Nigeria and found that the positive implications are that fuel subsidy removal would free up financial resources for other sectors of the economy,



incentivise domestic refineries to produce more petroleum products, reduce Nigeria's dependence on imported fuel, increase employment, channel funds for the development of critical public infrastructure, reduce the budget deficit and generate a budget surplus in the near future, reduce government borrowing, curb corruption associated with fuel subsidy payments, increase competition, reinvigorate domestic refineries and reduce pressure on the exchange rate. The negative implications are that fuel subsidy removal may decrease economic growth in the short term, increase inflation, increase poverty, increase fuel smuggling, increase crime, increase the prices of petroleum products and loss of jobs in the informal sector.

Murtar (2023) studied system review on fuel subsidy removal and its implications on Nigeria's Economy. This study seeks to use the existing body of knowledge to guide governments' decision. The study conducted a systematic review of the literature to find the implications of the policy on the Nigerian economy. A protocol was developed following the PRISMA procedure. A search was conducted in Scopus and 43 empirical papers were recorded. A total of 21 articles met the inclusion criteria while 22 papers were excluded. The result shows that fuel subsidy removal undermines households' welfare through the erosion of real income. It also reduces aggregate demand and increases the cost of production. However, the effect of the policy on revenue savings and environment is positive. The findings imply that in developing countries like Nigeria, where fuel has limited substitutes, such policy may aggravate the existing poverty, cripple businesses and causes recession.

Evans et al (2023) analyses the socio economic of the 2023 fuel subsidy removal; The removal of fuel subsidy in Nigeria in 2023 has triggered a profound shift with far-reaching implications across economic, social, and environmental spheres. This study probes into the complex web of consequences arising from this drastic policy transformation, examining both the direct and indirect effects on the Nigerian society and economy. While the reallocation of resources from subsidies to vital sectors like healthcare, transport and education holds positive transformative potentials, ensuring effective utilisation and equitable distribution of these funds warrants meticulous consideration. Achieving tangible improvements in essential services without unintentional negative consequences emerges as a central challenge. Drawing from historical precedents of subsidy removal attempts in Nigeria, the study underscores the importance of managing public sentiment and stakeholder reactions. The complexity arising from the interplay of economic, political, environmental, and societal factors necessitates a holistic approach. The study highlights the significance of informed decision-making to mitigate negative short-term impacts, harness long-term gains, and safeguard the vulnerable segments of the population.

Victoria and Esther et al (2017) study examines the political economy of fuel subsidy removal in Nigeria and its implications on the economy in general and the populace in particular. It addresses the arguments for and against fuel subsidy removal in Nigeria as a political discourse. Relying on secondary data for an in-depth analysis, the study found that rampant corruption in the nation's sprawling oil sector is hugely responsible for the intractable economic development slow-motion that has worsened the plight of ordinary



Nigerians. While the country's refineries remain moribund, fuel subsidy has, instead created leeway for the criminally-minded elite to squander the commonwealth. Unlike in Ghana where government engaged the people and introduced measures to cushion the harsh effects of fuel subsidy phase-out on the poor, in Nigeria, government has often increased the cost of petrol before ever addressing its impacts on vulnerable groups. The paper recommended the revamping of the country's refineries, the strengthening of the fight against corruption and the establishment of a regulatory framework to protect citizens as necessary measures to help improve the poor state Nigeria's economy and society.

Chinedu and Ebele (2017) study seeks to find out if fuel subsidy removal is an imperative for enhancing business development with focus on job creation in Nigeria. The study is based on the classical economic theory of regulated monopolies within which subsidies themselves, are perceived as distorting to the forces of demand and supply. In pursuance of the objectives of the study, the descriptive survey design was adopted. Data were collected using questionnaire administered to 300 respondents selected from south –eastern part of Nigeria. Data obtained were analysed using statistical summation technique and Z-test at 0.05 level of significance for empirical testing of the hypothesis that guided the study. The result of the findings shows that there is no significant relationship between fuel subsidy removal and job creation in Nigeria. The research concludes that fuel subsidy removal is an important element in the larger scheme to accelerate business development. Based on the finding, the paper recommends that the government should embark on programmes that will create more jobs; back the fuel subsidy with good agenda; encourage further research by independent competent researchers and policy professional to ensure the success of the program in Nigeria.

Adewunmi et al, (2014) investigates the impact of the fuel subsidy removal on the socio-economic development in Nigeria. Using a price pass-through model, the study employed the error correction model to investigate both the short and long run impact of fuel subsidy removal on socio-economic development in Nigeria using data from 1980 to 2012. The study discovered that the fuel subsidy removal does not have short run impact on the social well-being of Nigerians. However, the long run impacts of this policy tell a sterling story, as it was revealed that the deregulation of the downstream sector will ultimately leads to future economic development of the country. This result is therefore consistent with theoretical and some empirical findings that removal of distortions and market efficiency results in economic growth. It is however recommended that there should deliberate and sincere attempt by the government to effectively and efficiently utilise the subsidy funds into strategic developmental projects so as to fulfil the potentials of subsidy removal.

3.0. METHODOLOGY

The data for this study was obtained using the method of qualitative secondary data collection which involved sourcing information from existing historical and qualitative sources relevant to the subject matter. As noted by Hair and Page, any data used for a study that was not gathered purposefully and directly for the research under consideration is a secondary data



(Hair and Page, 2015) In other words secondary data refers to information that has been collected, processed, and published by someone else, rather than the researcher gathering the data first-hand. It is also the data that has already been collected through primary sources and made readily available for researchers to use for their own research. This approach involved the examination of wide range of sources including historical records, government reports, academic literature and Media sources that provided insights into the impact of fuel subsidy removal on Nigerians. By diving into existing literature, the study aimed to unravel the historical context of fuel subsidy politics in Nigeria and their implications, this involved analysing academic publications, articles and reports that detailed the socio - Economic and political consequences of previous fuel subsidy adjustments. Additionally, the study explored governmental documents and policy reports to gain understanding of the official perspective and motivations behind past decisions related to fuel subsidy. The descriptive research design was deployed to analyse data and provide a clear understanding of the various facets of the impact resulting from the subsidy removal and also it sought to summarise and present the key characteristics of data gathered from secondary sources which were utilise to analyse variables including changes in fuel prices, inflation rates, household spending pattern and economic indicators; these analytical tools helped to provide balanced perspective of the repercussions of the fuel subsidy removal on Nigerian society and economy.

4.0. DISCOURSE

4.1. The History of Fuel Subsidy in Nigeria

The history of fuel subsidy in Nigeria is marked by numerous policy shifts, reversals and widespread controversies. Since its introduction in the 1970s, successive Nigerian governments have struggled to balance the subsidy's financial burden with the need for economic stability. The fuel subsidy was initially introduced to cushion the effects of rising global oil prices (Aljazeera, 2023). In 1977, during the military regime of Olusegun Obasanjo, the subsidy was formalised through the Price Control Act, which regulated the prices of essential commodities, including fuel. This policy aimed to make fuel more affordable for Nigerians, especially in times of global price hikes. In 1999, Obasanjo, now as a democratically elected president, attempted to deregulate the oil sector, which would have included removing fuel subsidies. However, due to public resistance and mass protests, the plan was abandoned. Similarly, in 2012, President Goodluck Jonathan's administration tried to partially remove the subsidy, leading to a sharp increase in fuel prices (Emmanuel & Ezeamalu, 2013). The resulting public outrage culminated in the "Occupy Nigeria" protests, a two-week nationwide demonstration organised by labour unions, civil society groups, and opposition leaders, including President Bola Ahmed Tinubu (Schechter, 2012). The protests forced the government to reconsider the policy. In May 2016, former President Muhammadu Buhari, who had previously referred to the fuel subsidy as a "fraud" and "non-existent," announced its removal. This decision led to another significant hike in fuel prices and widespread protests. Facing public backlash, the government reversed the policy once again (Lakemfa, 2019). As the February 2023 presidential elections approached, all three major candidates pledged to remove the fuel subsidy and reform the oil sector (Adetayo, 2023). President Tinubu, who won the election, followed through on this promise. On May 29, 2023,



during his inauguration, Tinubu announced the total removal of the fuel subsidy, with the policy taking effect on July 1 (BBC, 2023). This decision has since led to soaring fuel prices, high inflation, and a worsening cost of living for Nigerians, with the effects still being felt across the country. Throughout its history, fuel subsidy removal has remained a deeply contentious issue in Nigeria, sparking protests, economic disruptions, and political debates.

4.2. The 2023 Fuel Subsidy Removal

On May 29, 2023, during his inauguration, Nigerian President, Bola Ahmed Tinubu announced the complete removal of the nation's highly controversial yet widely popular fuel subsidy (Majeed, 2023). In his speech, Tinubu declared – "The subsidy is gone," signalling a significant shift in economic policy (Majeed, 2023). Though the policy took effect on July 1 2023, its announcement alone set the stage for major changes in Nigeria's economic landscape (Angbulu, 2024). The rationale behind this decision, according to the president, was that the fuel subsidy had become unsustainable, with its costs growing amid dwindling national resources. Tinubu argued that the funds previously allocated to the subsidy would be better utilised in other sectors, including public infrastructure, education, healthcare, and job creation, all aimed at materially improving the lives of millions of Nigerians. However, the removal of the subsidy had immediate consequences. Fuel prices skyrocketed, triggering a sharp rise in the cost of goods and services across the country. This, in turn, fuelled inflation and worsened the already high cost of living (Ariemu, 2024). As a result, organised labour unions threatened a nationwide strike, demanding that the government reverse its decision, as had been done by former President Goodluck Jonathan in 2012. Despite the threats, the unions eventually withdrew their plans after negotiations with Tinubu's administration (Bankole, 2023). A survey conducted by SASU (2023) revealed the extent of the policy's impact on Nigerians. A staggering 73% of respondents reported that the subsidy removal had "increased their spending," while 2% noted that it had led to a reduction in their working days. Interestingly, only 5% of those surveyed claimed that the decision had no impact on their daily lives. The government's projection that fuel subsidy costs could reach ₦5.4 trillion by the end of 2024 further underscored the urgency of the removal (Anyagwu, 2024). In the short term, the removal has placed a heavy financial burden on Nigerian households, raising questions about the adequacy of the government's social safety nets to cushion the impact of these economic reforms (Yunusa, et al., 2015).

4.3. The Adverse Impacts of 2023 Fuel Subsidy Removal on Low Income Families in Nigeria

1. High Rate of Poverty

A negative implication of the removal of fuel subsidy is that it increased poverty in the short term (Raji, 2018). It will lead to immediate pain and hunger for families. At the individual level, the removal of fuel subsidy and without any palliatives, could lead to fewer disposable income, fewer food in the land, fewer medicine for sick people, and inability to afford basic education in several parts of the country especially in the Northern region of Nigeria. More families will go hungry, more children will cry in hunger and more parents will cry at their children's despair. The poor and middle-class consumers will witness a fall in their purchasing power and small businesses will find their profit margins squeezed because they



will face higher costs and reduced sales volumes (Siddig et al., 2015). And if they attempt to pass on the cost to consumers, consumers might refuse to buy or they will reduce the quantity purchased, thereby leading to low business patronage.

2. Loss of Jobs

The removal of fuel subsidy will lead to job loss especially in the informal sector that rely mostly on PMS or petrol (Houeland, 2022). The formal sector uses mostly diesel for their activities while the informal sector relies mostly on petrol. The rise in petrol prices would lead to the shutdown of small businesses that cannot afford the rising cost of petrol and whose profit margins have been completely eroded by fuel subsidy removal in the formal sector (Ozili & Obiorah, 2023).

3. High Transportation Cost

From May 2023 when fuel subsidy removal took effects the cost of transportation had risen and transportation being the life blood of Nigerian's economic activities and then majority of Nigerian citizens rely heavily on it for their daily commutes (Obisanya, 2023). As fuel prices increases the cost of transportation follow suit resulting in a spike in the prices of essential goods both imported and locally manufactured goods and affects especially the low income earners who allocate significant portion of their income to basic necessities (Obisanya, 2023). Because of high cost of transportation, many students find it difficult to transport themselves to their schools while some dropped out of school.

4. Rise in Crime

Another negative microeconomic implication of the removal of fuel subsidy is the potential for crime to increase (Shagali & Yusuf, 2022). The increase in the price of petrol following the removal of fuel subsidy might lead to other forms of crime such as theft of petrol from refinery, warehouses, people's cars, residential houses and from people's electric generator. Nigeria risks social uprising and worsening of crime rate as more Nigerians struggle to make ends meet (Egwuatu & Mbele, 2021).

5. Inflationary Pressure

The removal of fuel subsidies has contributed to inflationary pressures making the overall economic landscape more challenging for average citizens, inflation erodes the purchasing power of an individual and families making it difficult to meet their daily needs (Ariemu, 2024).

6. Lack of Access to Food

Hunger and starvation can become acute impacts of fuel subsidy removal due to the resulting rise in fuel prices. Higher fuel costs increase transportation and production expenses, which lead to increase in prices of foods, Poor households, who struggling to make ends meet, face even greater difficulty affording sufficient and nutritious food (Yunusa, et al., 2015). This financial strain aggravates food insecurity, resulting in more individuals experiencing hunger and, in severe cases, leading to starvation. The increased cost of living pressures these households to prioritise essential expenditures, often at the expense of adequate nutrition, thus deepening the crisis of hunger and starvation.



4.4. Findings and Discussions

4.4.1. How has the removal of the fuel subsidy in 2023 affected the cost of living and household expenditures among low-income families in Nigeria?

The removal of Nigeria's fuel subsidy in 2023 has significantly increased the cost of living for low-income families, as fuel prices surged, leading to higher transportation and food costs (Ozili & Obiorah, 2023). With petrol prices tripling, household expenditures on essential goods and services have risen, straining already limited incomes (Idoko, 2023). Many families now struggle to afford basic necessities, including healthcare and education, as inflation erodes their purchasing power (Idoko, 2023). The increased cost of transportation has also affected small businesses and daily wage earners, reducing disposable income (Oloyede, 2024). In response, households have adopted coping strategies such as reducing non-essential spending, seeking alternative income sources, and relying on social networks for support. However, government interventions, including conditional cash transfer programmes and palliative measures, have been insufficient in offsetting the economic burden (Njoku & Ndom, 2025; Idoko, 2023). As a result, the subsidy removal has deepened economic hardship for vulnerable populations.

4.4.2. What coping strategies have low-income households adopted in response to the economic challenges caused by the fuel subsidy removal?

Low-income households in Nigeria have adopted various coping strategies to manage the economic challenges caused by the 2023 fuel subsidy removal (Oloyede, 2024). Many families have reduced non-essential spending, prioritised food and basic needs and cut back on transportation costs by using public transit or walking (Sahara Reporters, 2023). Others have sought additional income sources through informal sector jobs, small businesses or remittances from relatives. Some households rely on community support networks, credit and government assistance programmes or palliatives to survive (Nnodim, 2023; Angbulu, 2023). Despite these strategies, financial strain remains high, emphasising the need for stronger social protection policies to mitigate the long-term impact of fuel subsidy removal on Nigerian vulnerable populations (Idoko, 2023).

4.4.3. What role have government interventions and social support programmes played in mitigating the impact of the fuel subsidy removal on vulnerable households?

The Nigerian government has implemented various interventions and social support programmes to mitigate the impact of the 2023 fuel subsidy removal on vulnerable households (Ogbuli, 2023). These measures include conditional cash transfer programmes, transportation subsidies during festive periods, minimum wage adjustments and palliative economic measures aimed at cushioning the rising cost of living (Ahiuma-Young, 2023; Njoku & Ndom, 2025; Uzoechiena, 2024). Additionally, government-backed initiatives such as agricultural support programmes and small business grants have been introduced to enhance economic resilience among low-income families (Lawal, 2025). However, despite



these efforts, many households continue to experience financial strain due to inflation and inadequate implementation of relief programmes (Idoko, 2023). Delays in fund disbursement, lack of proper targeting and insufficient support have limited the effectiveness of these interventions. Many low-income families still struggle with rising transportation, food and healthcare costs, forcing them to rely on alternative coping mechanisms such as borrowing or reducing essential expenditures (Nnodim, 2023)

5.0. CONCLUSIPON AND RECOMMENDATIONS.

5.1. Conclusion

The study investigated the impact of the 2023 fuel subsidy removal on Nigerians, analysing the economic, social and political consequences of this major policy change. Although the 2023 removal of fuel subsidy aimed at reducing government expenditure and promote long term economic efficiency, such ill-advised and hastily implemented policy has had significant short term adverse effects on Nigerians. The research revealed that the removal led to immediate and sharp increase in fuel prices which consequently affected transportation costs, inflation rates and overall cost of living. The economic burden of the policy has been felt mostly by lower and middle income Nigerians who experienced decline in their purchasing power and increased difficulty in accessing basic necessities. The inflationary pressure triggered by the subsidy removal further compounded the economic challenges faced by the majority of the population. The policy has also had negative effects across various sectors in the economy particularly in transportation, where the cost of moving goods and people has significantly increased, affecting the entire supply chain and raising prices for consumers. The study recognised that while the long term benefits of the 2023 subsidy removal such as reduced fiscal pressure on the government and potential investment in infrastructure are possible, they look improbable especially in a Nigerian environment riddled with endemic corruption.

5.2. Recommendations

The government should adopt a gradual phasing out subsidy over the immediate short term (within the next six months to one year) as this will minimise the cost of one-off removal on citizens and businesses, a well-planned phase out of the subsidy will give window to allow citizens to adjust to the new prices, Nigerian experience has shown that abrupt removal of fuel subsidies will only stoke public demonstrations and protests.

The government should implement targeted and efficient palliative measures for the poor and small businesses before the removal of subsidies. This should be different from the present food palliative administration that tends to mitigate every societal problem with bags of uneatable and expired rice. (Njoku & Ndom, 2025). Additionally, other palliative measures such as electricity and transportation vouchers can be offered to disadvantaged households and businesses allowing them to access essential services that rely on fuel products at a subsidised rate. However, the citizens and households must have strategies they can adopt to survive during this period.



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Households should prioritise essential spending and create a stricter budget focusing on necessary expenditure such as food, housing and education while minimising luxury or non-essential spending can ease financial burden also setting up saving plan or emergency fund is essential during periods of economic adjustment to better prepare them for unexpected price increases.

Citizens should consider growing small vegetable gardens at home to reduce the amount spent on food as this will help improve food security and lower reliance on market where food prices are likely to increase due to higher transportation costs.

Competing Interest

The authors declared that no conflicting interest exist in this paper.

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