

## A REVIEW OF THE PHILOSOPHICAL WAY FORWARD WITHIN THE CONTEXT OF SUBSIDY REMOVAL IN NIGERIA

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### ABSTRACT

This paper attempted to review the socio-economical impacts of fuel subsidy removal in Nigeria and its attendant negative consequences on the present standard of living of citizens across the country since its implementation by the federal government of Nigeria. Government had argued that the removal of the subsidy would assist produce funds for infrastructural development, eliminate corruption and also boost savings for the country. The paper adopted a theoretical and systematic collation of various perspectives and relevant literature and materials from journal publications, the internet and government documents to interrogate the various gaps and challenges posed by the subsidy removal and concluded that government needed to build the foundation of its administrative legitimacy on citizens' welfare based on the socio-economic advantages that the current subsidy regime may offer.

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**Keywords:** *Subsidy removal, Problems, Way Forward.*

### INTRODUCTION

Crude oil is a valuable gifted resource to the Nigerian people even as this gift is expected to be utilized for the socio economic and benefit well-being of the people and of the Nigerian state and society in general.

Akhakpe (2014) noted that since the discovery of crude oil in the 1950's at Oloibiri, Bayelsa State, Nigeria; the product has continued to attract trillions of naira for the country from its sale abroad. The general hope by the people of Nigeria was that the monies derivable from the exploration of crude oil sale would be targeted at improving the living standards of Nigerians through the willingness and capacity of successive administrations in Nigeria to offer fundamental services including water, education, and good health care delivery system, provision of housing and maintainable roads. However, a quick look at the Nigerian landscape today reveals that the positive hope and expectations of most Nigerians have turned into illusion as the country has continued to experience a recurrent

socio-economic decay and poor choices of political leaders that are only interested in political offices for personal wealth accumulation than improving the quality of life of the citizenry.

### **Meaning of Petrol Subsidy or Support**

Alozie (2019) argued that “subsidies” could assume a variety of methods including amongst others exemptions, grants and tax reductions. Put differently, “subsidy” could be understood to be that fund or money paid by the government to lower the cost of producing services and goods for the people within a country. Bakare (2012) noted that a critical examination of the Nigerian state currently showed that the removal of fuel subsidy in January 1, 2012 as a result of the pronouncement of the Petroleum Product Pricing Regulatory Agency (PPPRA) has injured and altered the economic and socio-political existence and experiences of millions of Nigerians as they have continued to be challenged by poverty, hunger, disease and other debilitating human conditions.

Opeyemi, Philip, Oluseyi, Amaghionyeodiwe And Adeyemi (2016) observed that “Although Nigeria is blessed with an abundance of agricultural, human, petroleum, unexploited minerals and gas, yet Nigeria has remained at the backwaters of socio-economic development and human progress especially when the over US \$300 billion that the country has earned from on the sales of crude oil over a period spanning thirty years is factored into her socio-economic equation and consideration”. Buttressing the above observation, the National Bureau of Statistics (NBS, 2014) lamented that 54 percent of youths in Nigeria remain unemployed thereby indicating the ironic contradiction of Nigeria’s reputed immense wealth.

### **Objectives of the Study**

Nigeria is globally acknowledged as an economic power house in spite of her status as one of the backward and poorest countries in global ratings. As an African country, Nigeria with her human capital and oil wealth endowment should become a symbolic springboard for the transformation of the lives of her citizens and reshape their destiny with the aim of improving their growth and development. This paper therefore raises the following questions that has continued to represent serious challenges and gaps to Nigeria fulfilling her potentials especially in the face of poverty and the sufferings of her citizens under the current subsidy removal yoke.

1. What policies are needed to achieve Nigeria's Vision 2020 plans of action especially in view of the subsidy removal?
2. Is Nigeria willing and ready to make a paradigm shift from her current position of oil dependency to that of a new economy based on innovation, productivity and technological knowledge acquisition especially in an era where natural endowments are giving ways to an age where ICTs knowledge resources are the dominating factors of national development?
3. What set of programs and strategic plans should Nigerian leaders prioritize to achieve the mission of a new industrialized Nigeria?

## LITERATURE REVIEW

According to Akhakpe (2014), crude oil has brought in billions of naira for Nigeria through exports ever since it was discovered in Oloibiri, Bayelsa State, in the 1950s. The general expectation among Nigerians was that the proceeds from the exploration and sale of crude oil would be used to raise the country's citizens' standard of living by encouraging successive governments to provide basic amenities like clean water, education, a reliable healthcare system, housing, and well-maintained roads.

Bakare (2012) argued that the removal of subsidy is traceable to the growing cost of hydrocarbon or petroleum. Meaning that the Nigerian political leadership needed to invest more funds to maintain the previous local prices of petroleum and also factor into this economic equation the growing demographical figure of Nigerians whose consumption of petroleum products across the country has continued to increase exponentially. Combined, these challenges has ensured that the regime of subsidy has to be terminated. According to him, while the international price of oil jumped from 30.4 dollars per barrel in 2000 to 94.9 dollars in 2010, Nigeria's population grew from 123 million to 158 million. In addition, as at 2011, the cost of subsidy amounted to 30 percent of the federal government's spending at 4 percent of GDP and 118 percent of the national budget such that fuel subsidy eroded expenditure on other vital socio-infrastructure and economic investments. Spring Igbokwe-Ibeto, and Okoye (2022) argued that it is indeed the wealthy and not the impoverished Nigerians who benefit from the country's subsidy regime. Keeping the local prices of petroleum product (PMS) low artificially by the government, those that enjoyed the commodity most are the rich as the poor masses depend mostly on common sources of transportation available thereby translating to the fact that consumption ratio per capital is much lesser for privileged

wealthy Nigerians. The conditions pilfering and smuggling of Nigerian petroleum with the active collaboration of government officials and agencies including the Nigerian customs, police and immigration services also benefited those countries that are neighbors to the Nigerian states and society.

Balouga (2018) observed that the socio-economic cost of the subsidy adjustment era has impacted negatively on different sectors of the society. He added that although the income generated from oil has continued to improve geometrically, yet social infrastructural services and amenities has continued to decay beyond human tolerance in Nigeria. The Guardian (2019) illustrated this sad picture graphically by noting that each oil block controller in Nigeria usually attracts about 4 billion naira to himself or herself per month and some of these oil block owners are wealthier than about seven Nigerian states combined. Presently in Nigeria, there is a complete absence of political morality especially in the area of good governance. Guardian News, (2020) argued that the Nigerian National Petroleum Corporation, NNPC, The Nigerian Pension Board, The National Assembly members and some other government regulated agencies and departments especially at the federal level have at one time or another been entangled in corrupt practices to such a degree that Nigeria is currently experiencing a period of “arrested development”.

The Nigerian economic condition has experienced subsidies in various manners for several years and this included education, forex, fuel and electricity amongst others. Although the notion of subsidy is a worthy one yet its application in the Nigerian context has been hobbled by major indictments of kleptomania and misapplication of funds generated there from.

## **METHODOLOGY**

This paper adopted a theoretical and systematic collation of various perspectives and relevant literature and materials from journal publications, the internet and government documents to interrogate the various gaps and challenges posed by the subsidy removal and concluded that government needed to build the foundation of its administrative legitimacy on citizens’ welfare based on the socio-economic advantages that the current subsidy regime may offer. The paper also attempted to serve as a secondary source of information with the hope that its findings and recommendations would serve as a precursor to future researchers on the topic under review.

## **DISCUSSION AND FINDINGS**

From an ethical viewpoint, the Nigerian political class has continue to fail to engage its various socio-economic policies and programs for regulating the country's multi-dimensional problems that has continued to hinder her development. For instance, some of the extant laws designed to manage the country's oil and gas industry are usually sacrificed, made redundant and ineffectual for self-centered personal and group interests against national interests and well-being of the masses in Nigeria. Given the present level of poverty in Nigeria, government at various levels need to innovate and exploit other avenues for generating monies for the country. Agriculture could be targeted as the pivot of the Nigerian economy. From a logical point of view if adequately harnessed, agriculture could propel Nigeria to her previous global status as a dominant marketer of some agricultural products.

Malaysia and Cote-de-Voire have become two major destinations for investors interested in palm produce and cocoa respectively. Although, the fuel subsidy removal in Nigeria is expected to liberate funds for the socio-economic improvement of the quality of citizen's life through adequate investments in major vital sectors of the Nigerian economy including security, education and healthcare delivery systems as well as this would help upgrade the living standards of Nigerians in general yet history and experience in Nigeria has shown that the benefit of such liberated funds realizable from fuel subsidy hardly impact positively on the well-being of the poor masses across Nigeria. Another ethical minus for the subsidy removal policy is that it has expanded and incentivized petroleum smuggling to countries surrounding Nigeria, thus proliferating criminal oil related activities including vandalism of oil pipelines, and unlawful oil refining (Daily News Watch, 2020).

## **CONCLUSION AND RECOMMENDATIONS**

The varieties of problems that the fuel subsidy in Nigeria has created especially on the socio-economic and psychological health of millions of Nigerians cannot be forgotten or wished away. Therefore in view of the administration of the subsidy policy currently operating in Nigeria, this paper offers some workable solutions that could help ameliorate the sufferings of majority of Nigerians living under the subsidy yoke. Government at the Federal, State and Local levels should endeavor to implement improvement in the wages of Nigerian workers as this would not only empower workers financially but would also help their

psychological state of mind as well as help develop the local economy through improved commercial transactions.

According to The National Bureau of Statistics (NBS, 2023), the current poverty level of Nigerians was calculated to be in the region of about 0.257 percent and about 133 million Nigerians living below the globally acceptable poverty level. The agency observed that Nigerians within this poverty bracket are unable to buy or operate vehicles nor electric generating sets even when there are shortages in electricity supplies from the national grid. Therefore, the only meeting point that such Nigerians have with petroleum usages is through vehicular mass transits even as most of the buses that ferry majority of Nigerians to and from their different locations operates on diesel which had already undergone deregulation.

Furthermore logic dictates that the Federal government need to re-evaluate its current fuel pricing policies in order to reduce the extant costs of transportation and also introduce a moderate pricing regime to act as fodder that could counter the negative effects of subsidy removal while ensuring openness in enlightening Nigerians of the forces that compelled petroleum price changes to maintain the trust of the Nigerian people. Finally, government should fast track and implement its energy transition plans by introducing the use of electric powered tricycles and motorbikes across the 36 States in Nigeria and also quicken the implementation of its plans to convert State mass transportation buses to utilize compressed gas throughout the federation.

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