

EFFECT OF SUBSIDY REMOVAL ON NIGERIAN ECONOMY



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ABSTRACT

The purpose of this seminar work is focuses on effect of subsidy removal on Nigerian economy. Specifically the study aimed to pursue the following objectives: To determine the effect of subsidy removal on food items, to ascertain the extent of the relationship between subsidy removal on standard of living, to examine the extent at which of subsidy removal promote poverty. The study has a a sample size of 368 using Sigmund statistical formula at 5% error to tolerance and 95% level of confidence. Instruments used for data collection were primary questionnaires and interview. The total numbers of 368 copies of the questionnaire were distributed while 305 copies were returned and 63 copies were not returned. Survey research design was adopted for the study. Three hypotheses were tested using Pearson product moment correlation coefficient and simple linear regression tool. The findings indicate that Subsidy removal significantly negative affect food items ($r = 0.847$; $F = 770.904$; $t = 27.766$; $p < 0.05$). There is a significant negative relationship between subsidy removal and Standard of living ($r = .816$, $P < .05$). Subsidy removal negatively promotes poverty ($r = 0.758$; $F = 408.373$; $t = 20.208$; $p < 0.05$). The study concluded that fuel subsidy removal led to increase on the prices of goods and services, such as hikes in transportation costs and food. The study recommends that the government should pursue the development of critical infrastructures like road, bridges, drainages and warehousing facilities, which added significant cost to the business owners and improve the life the citizens.

Key words: Fuel Subsidy Removal, Nigerian Economy, Standard of Living.

I. INTRODUCTION

The discovery of crude oil in commercial quantity at Olobiri in Delta state (in 1956) diverted the country's attention to oil production and exportation. This led to huge foreign exchange earnings and reserves rising to an unprecedented buoyant level and thus, led to the abandonment of other vital sectors like agriculture. To this day, the Nigerian economy has become dependent on oil for most of her economic transactions with rest of the world. According to Obasi (2003), 95% of Nigeria's foreign exchange earnings are accounted by petroleum products. To bolster the effect of underdevelopment and poverty, the government has long been subsidizing the pump prices of petroleum products, such as petrol, kerosene, and diesel.

Nigerians get a shocking New Year gift from the Federal Government on January 1st 2012. They found long queues at the filling stations where petrol was sold above N140 per liter. Gone was fuel subsidy, which gave way to deregulation. Fuel subsidy removal which the Federal Government under President Goodluck Jonathan has canvassed and have finally got to the blast off stage, Monday, December 12, 2011. That was when the national Economic Council (NEC), headed by vice President Namadi Sambo decided that government should finally remove the subsidy come January 2012. The body which consists of the Vice President, governors, strategic ministers and Central Bank of Nigeria (CBN), claimed that subsidy removal had become inevitable to avert the collapse of Nigerian economy (Oji and Eme, 2014).

Petroleum, a very important source of energy and economic commodity in Nigeria, has had so many problematic issues since the 1980s. Subsidies were introduced in the Nigerian energy sector in the mid 1980's. Something of a creeping phenomenon, the value of the subsidies has gone from 1 billion in the 1980s to an expected 6 billion Dollars in 2011 (Adebiyi, 2011). The Nigerian society depends primarily on the petroleum, especially Petroleum Motor Spirit (PMS) to drive economic activities, especially as the country is not only a monoculture economy in terms of production, but also consumption. Providing alternative sources of energy since has gone beyond the prints and the media. A serious effort to diversify the economy is still a mirage. Therefore, removing the subsidy on fuel will have grievous economic implications for this entire sector in terms of increasing their cost of production which will ultimately lead to general price increase (Adenikinju, 1998).

The country's economic strength is derived largely from its oil and gas wealth, which contribute 99 per-cent of government revenues and 38.8 per of GDP (National Budget, 2010). Despite these positive developments, successive Nigerian governments have been unable to use the oil wealth to significantly reduce poverty, provide basic social and economic services her citizens need (Ering and Akpan, 2012)

Subsidy, in economic sense, exists when consumers of a given commodity are assisted by the government to pay less than the prevailing market price of it. In respect of fuel subsidy, it means that consumers would pay less than the pump price per litre of gasoline. Also, fuel subsidy could be described as the difference between the actual market price of petroleum products per litre and what the final consumers pay for those same products. Developing countries have used fossil fuel subsidies for consumers primarily as a means of achieving certain social, economic, and environmental objectives, as identified by Bazilian and Onyeji, (2012). These include alleviating energy poverty and improving equity, increasing domestic supply, national resource wealth redistribution, correction of externalities and controlling inflation.

Subsidies affect prices or costs indirectly, such as regulations that tilt the market in favour of a specific fuel, government funded technology or research and development

(Adebiyi, 2011). Successful Nigerian governments have continually removed part of this subsidy claiming that prices paid by Nigerians to use petroleum products are less than what they should pay particularly when benchmarked against the prices in the international market and will provide necessary impetus for the Nigerian economy to find its rhythm (Onyeizugbe and Onwuka, 2012). This was further reiterated by Plante, (2013), noting that subsidies especially on petroleum products are an important policy issue for many developing and emerging market economies because of the steep costs they impose on the governments that provide them.

II. STATEMENT OF THE PROBLEM

Full scarcity has plagued the nation recently appeared to be worse at the beginning of these years it caused a lot pain anguish and dislocation of economic and sundry activities. There was hardly any individual industries institutions and organization in Nigeria today that was not severely affected. It is widely believed in government circles what perennial fuel crisis is largely caused bottlenecks in the distribution system. But a survey show that the bottlenecks and other associated problem are caused by conflicting activities of multifarious government agencies. Besides there are problem of manpower shortage inadequate funding lack of materials legal limitation and safety. thus the study seeks to investigate on effect of subsidy removal on Nigerian economy.

III. OBJECTIVES OF THE STUDY

The main objective of study focuses on effect of subsidy removal on Nigerian economy, The study has the following specific objectives.

- i. To determine the effect of subsidy removal on food items.
- ii. To ascertain the extent of the relationship between subsidy removal on standard of living.
- iii. To examine the extent at which of subsidy removal promote poverty.

Research Questions

For this study to accomplish the desired objectives, these research questions were formulated.

- i. What is the effect of subsidy removal on food items.
- ii. What is the extent of the relationship between subsidy removal on standard of living.
- iii. What is the extent of the effect of subsidy removal on poverty.

Research Hypotheses

The following hypotheses were formulated for this study.

- i. Subsidy removal significantly negative affect food items.
- ii. There is a significant negative relationship between subsidy removal on standard of living.
- iii. Subsidy removal negatively promotes poverty.

IV. CONCEPTUAL FRAMEWORK

Fuel Subsidy is a form of price manipulation whereby the government fixes the pump price for sale to consumers and pays the retailer the difference between the actual market price and the regulated or official price per litre. Through fuel subsidy, millions of Nigerians have access to cheap refined petroleum products (Iyobhebhe, 2012). Ezeagba . (2005:45), believed that subsidy exists in a situation when consumers of a particular commodity are assisted by the

government to pay less than the market price of the commodity in question. On the producers' side, Ezeagba saw it as the payment to producers of certain commodities by the government not to produce at all or augment their incomes when the prices of their products are less than break-even point.

Effect of subsidy removal on food items

The Euphoria of the yuletide as still thick in the air among Nigerians, many of whom had spent so much money to make purchases for the end of year celebrations, and for many who had traveled out of their duty and work stations to enjoy the Christmas and New Year holidays with their loved ones in the villages, the ecstasy of crossing over to the New Year alive was infectious with lots of parties and spending. But all of these were soon short-lived when the executive secretary of the Petroleum Products Pricing Regulatory Agency (PPPRA), Reginald Stanley, on January 1, 2012 issued a release announcing the removal of subsidy on Premium Motor Spirit (PMP) known as petrol with immediate effect and unexpectedly, the pump price of petrol, which hitherto sold officially at N65 per litre, jumped to between N148 and N200, depending on point of purchase. For many, the effect of the rise in pump price of petrol was spontaneously felt as the cost of transportation rose astronomically and cost of transporting goods and commodities to the markets equally hit the roof. For most traders who had taken a break from the markets during the festive season, it was tough meeting up on the new trend as prices of procuring new stock had shot up and this had to be borne by final consumers (Oji and Eme, 2014).

Effect of subsidy removal on standard of living

The antagonists of the fuel subsidy removal present a contrary view. They have concluded that their leaders are truly detached from the reality of economic hardship endured by Nigerians. There would certainly be a downward shift in the quality of life for the borderline income groups as they are forced further down into the most desperate or challenged group of workers as choices have to be made in the redistribution of the household and business budgets – trades off have to be made between the essentials – fuel consumption/transport costs vis-a-vis health care costs, feeding allowance, education allowance, saving investment opportunities until some adjustments have been made to the wage levels. This has not taken into cognizance the plight of the unemployed and possible levels of unemployment such a shock might trigger in the short to medium term (Ayodele,2014).

Effect of Subsidy Removal on Poverty

There is no firm meaning of poverty because it is a physical matter and relative in nature. Ngozi (2004) quoting Kennet Gailbraith, those affected by poverty have: 1) Insufficient food; 2) Poor clothing; and 3) They live in crowded and dirty shelter. Nevertheless, the believing is that, fuel subsidy removal, will overhaul and complicate the pattern of living of the populace. The removal will skyrocket the prices of goods and services in the country. From purchasing a car to buying salt and maggi, the story has been the same as even a grandmother that sells firewood has subsidy removal for the excuse of her price increase. So the order of the day became a reign of hardship and pain, especially on the common man who is either unemployed or is seated below the very meager minimum wage.

V. THEORETICAL FRAMEWORK

Economic theory of subsidies : A subsidy for a good or service changes its price, and therefore changes the amount of consumption. Subsidies may be introduced to correct some

market failure – for instance, if there are positive spillovers to research and development which mean that those agents performing the research do not accrue all of the benefits¹, then they will produce a suboptimal amount of research; a subsidy can incentivize them to do more research such that the socially efficient amount occurs. Whilst subsidies can be appropriate and useful, economists (and this thesis) are concerned with inefficient subsidies, which cause situations where “price does not correspond to the overall cost to society of producing or consuming a little more or less of the good or service” (Fischer and Toman, 2000, p.2) In other words, prices do not equal marginal cost, so efficient resource allocation is not achieved. Inefficient subsidies are therefore an issue worth dealing with since their elimination can make society as whole better off. Even if a subsidy policy is introduced with benevolent aims, they are seldom the most efficient policy tool. McKenzie and Mintz (2011) point out that one possible problem is waste, which arises when subsidies do not alter behaviour as expected or they incentivise activities that would have happened anyway. Another damaging impact of subsidies is that they can distort the allocation of resources by redirecting activity towards subsidised areas and away from alternatives. As McKenzie and Mintz (2011) put it, you can end up with “activities because the subsidy is available rather than investing solely on the basis of economic criteria.

VI. EMPIRICAL REVIEW

Adewunmi, Remy and Iyewumi (2014) conducted a study on 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 test for trend variability (unit root) to determine the stability of data was done using the Augmented Dickey Fuller and Phillip-Perron test. The study therefore 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 tells 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 utilize the subsidy funds into strategic developmental projects so as to fulfil the potentials of subsidy removal. Keywords: Fuel Subsidy Removal, Price Pass-Through, Socio-economic Development, GDP.

Stephen (2015) did a study on impact of fuel price increase on the nigerian economy . The impact of Fuel price increase on the Nigerian economy(Whether negative or positive).The study adopted a survey research design approach to evaluate the level of effect the fuel price increase has on the Nigerian economy. The population of the study is made up of Civil Servants -CS, market men and women-MMW and staff in the private sectorsSPS concerned with petrol and gas affairs. A sample size of 120 persons was selected at random. It was distributed as follows: Civil Servants (18), market men and women (55) and staff in the private sectors (47). A pre test was conducted and outcome yield “r”= 0.92 indicating a high degree of consistency and reliability. The instrument was 8-term survey questionnaire with a - 5 Likert scale response options of Very Relevant (VR), Relevant (R), No Effect (NE) Irrelevant (I), and Very Irrelevant (VI). The questionnaire was structured in line with the research objectives, questions and hypothesis of the study. The Pearson product moment correlation coefficient was used to confirm formulated hypotheses. Finding revealed that there is a significant relationship between the recent increases in fuel prices and

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economic growth in Nigeria. It was also discovered that the Nigerian economy is not developing because of the effect of fuel price hike on purchasing power and finally the finding showed that there is significant relationship between increase in pump price of petroleum and food security. The paper therefore recommended that Government should retain fuel subsidy while expediting the construction of the three proposed refineries; Fuel subsidy should be removed as soon as these new refineries are commissioned; the proposed rehabilitation of the existing refineries should be expedited; Government should vigorously pursue the revitalization of the railways. If only Nigerians had alternative to road transport, all this noise about fuel subsidy removal would not have been there and Private companies should be encouraged to start building refineries now with the assurance that subsidy would be removed before they start production.

Sambe , Ahule and Agba (2013) conducted a study on the impact of fuel subsidy removal on food security in Nigeria . To determine the impact of oil subsidy removal on food security in Nigeria in relation to food production, food distribution and economic access to food. It adopted classical political economic theory in its analysis. The theory presumes that relaxing government control over economic activities would only ensure maximum welfare of the people through its multiplier effects. The study discovered that fuel subsidy removal boosted food production. However, it impeded food distribution due to high transport costs and also restricted economic access to food as a result of hikes in prices of food items. The study concludes that removal of fuel subsidy has detrimental effects on food security in Nigeria and that gains advocated by classical political economy have not been actualised in respect of fuel subsidy removal and enhanced food security. It was therefore recommended that Marxist political economic policies should be adopted in ensuring food security and abandoning of fuel subsidy policy and regulation of petroleum sector for sustainable food security in Nigeria.

Oji and Eme (2014) did a study on the effects of subsidy removal on food items in Nigeria: The Battle Ahead, Governments faced with growing budget deficits are cutting much social expenditure, including costly food subsidy programs that have provided benefits to the rich and poor alike. Because the poor spend a larger share of their income on food than do the rich, however, such cuts usually have negative distributional, welfare and nutritional effects. One of the most contentious issues in the country since the beginning of this year is that of whether or not the government actually pays subsidy on petroleum products enjoyed by Nigerians. The government claimed that the burden of subsidy that amounted to N1.3billion last year was too much for it to bear. As a result of this, the government on January 1, 2012 increased the pump price from N65 to N140. Nigerians protested in a manner that was never witnessed. At the end of the day President Jonathan was forced to reduce the price to N97 per litre of petrol. Since then, there have been allegations and counter allegations regarding the veracity of government’s claims on subsidy. The truth of the matter is that Nigerians deserve to know why they are being forced to pay for the ineptitude of government in the name of subsidy. As a result of the removal of the subsidy, there has been major increase in the process of food items across the Nigerian cities in the two months. The paper examines the effects of the subsidy removal on the prices of food stuffs in Nigeria since 2012. The paper concludes by positing that Nigerians are daily grappling with increases in prices of food and other essential items without commensuration from government.

Ismail , Hezekiah and Bilikisu (2014) carried a study on the Impact of gasoline Subsidy Removal on the Transportation Sector in Nigeria. However, this issue has become highly contentious in recent time due to the incessant nature and the effects on the economy. To this end the paper examine the impact of subsidy removal on transport sector

development in Nigeria using the co-integration and error-correction models. The result showed that subsidy had a positive and significant relationship with transport sector which implies that removing gasoline subsidies can increase the operational cost of transportation sector and reduce the gross domestic product (GDP) of the country.

VII. METHOD AND MATERIAL

The study was carried out primarily through the survey method and interview of members of the hosting Asaba. Secondary data were obtained through books, journals, and internet. A sample size of 369 was obtained by conducting a pilot survey using Zigmund sample size determination formula and this method is suitable for this because our population is unknown. 305 (88%) of the questionnaire distributed were returned while 64 (12%) of the questionnaire distributed were not returned / mutilated. The questionnaire was designed in 4 likert scale format. The researcher conducted a pre-test on the questionnaire to ensure the validity of the instrument. The reliability test was done using test-retest method with the help of spearman ranking correlation coefficient. The result gave a reliability coefficient of 0.78, indicating a high degree of internal consistency. Data collected were presented in frequency tables. Simple linear regression statistical tool was used to test the hypotheses.

VIII. DATA ANALYSIS AND DISCUSSION

The data obtained from the field were presented and analyzed with descriptive statistics to provide answers for the research questions while the corresponding hypotheses were tested with Simple linear regression at 0.05 alpha level.

To determine the effect of subsidy removal on food items

Table 1: Coded Responses on research affects subsidy removal on food items

s/no	Questionnaire items	S.Agree /Agree	Disagree /S.Disagree	Total
		Freq	Freq	
1	Purchasing of food items during removal of fuel subsidy was difficult	300	5	305
2	inhabitants Asaba community were indebted because of the removal of fuel subsidy	297	8	305
3	Subsidy removal significantly negative affect food items	207	98	305
TOTAL		804	111	915

Source: field survey, 2017

Table 1 shows that 804 (88%) of the respondents indicated S.agree / agree, while 111 (12%) indicated disagree/ S.disagree . Based on responds from percentage analysis it was concluded that subsidy removal significantly negative affect food items.

Hypothesis one

Ho: Subsidy removal does not significantly negative affect food items

Hi: Subsidy removal significantly negative affect food items

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Table 1a Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.847 ^a	.718	.717	.55434	.111

a. Predictors: (Constant), subsidy removal

b. Dependent Variable: Food items

Table 1b ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	236.904	1	236.904	770.943	.000 ^b
Residual	93.109	303	.307		
Total	330.013	304			

a. Dependent Variable: Food items

b. Predictors: (Constant), subsidy removal

Table 1c Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-.233	.069		-3.376	.001
1 subsidy removal	1.257	.045	.847	27.766	.000

a. Dependent Variable: Food items

R = 0.847

R² = 0.718

F = 770.904

T = 27.766

DW = 0.111

Interpretation :

The regression sum of squares (236.904) is greater than the residual sum of squares (93.109), which indicates that more of the variation in the dependent variable is not explained by the model. The significance value of the F statistics (0.000) is less than 0.05, which means that the variation explained by the model is not due to chance.

R, the correlation coefficient which has a value of 0.847, indicates that there is negative relationship between subsidy removal and food items. R square, the coefficient of determination, shows that 71.8% of the variation in food items is explained by the model.

With the linear regression model, the error of estimate is low, with a value of about .55434. The Durbin Watson statistics of 0.111, which is not more than 2, indicates there is no autocorrelation. The subsidy removal coefficient of 0.847 indicates a negative significance between subsidy removal and food items, which is statistically significant (with t = 27.766). Therefore, the null hypothesis should be rejected and the alternative hypothesis accordingly accepted. Thus subsidy removal significantly negative affect food items.

Hypothesis Two

Ho: There is no significant negative relationship between subsidy removal on standard of living.

Hi: There is a significant negative relationship between subsidy removal on standard of living.

To ascertain the extent of the relationship between subsidy removal on standard of living

Table 2: Coded Responses on research affects subsidy removal on standard of living

s/no	Questionnaire items	S.Agree /Agree	Disagree /S.Disagree	Total
		Freq	Freq	
1	subsidy removal reduce the quality of life	286	19	305
2	Many family where force in redistribution of the household and business budget	207	98	305
3	Subsidy removal significantly negative affect food items	287	18	305
TOTAL		780	135	915

Source: field survey, 2017

Table 2 shows that 780 (85%) of the respondents indicated S.agree / agree, while 135 (15%) indicated disagree/ S.disagree. Based on responds from percentage analysis it was concluded that there is a significant negative relationship between subsidy removal on standard of living.

Table 2a Descriptive Statistics

	Mean	Std. Deviation	N
subsidy removal	1.3934	.70893	305
Standard of living	1.5213	1.04836	305

Table 2b Correlations

		subsidy removal	Standard of living
subsidy removal	Pearson Correlation	1	.816**
	Sig. (2-tailed)		.000
	N	305	305
Standard of living	Pearson Correlation	.816**	1
	Sig. (2-tailed)	.000	
	N	305	305

** . Correlation is significant at the 0.01 level (2-tailed).

Table (2a) shows the descriptive statistics of the subsidy removal and standard of living with a mean response of 1.3934 and std. deviation of .70893 for subsidy and a mean response of 1.5213 and std. deviation of 1.04836 for Standard of living and number of respondents (305). By careful observation of standard deviation values, there is not much difference in terms of the standard deviation scores. This implies that there is about the same variability of data points between the dependent and independent variables.

Table (2b) is the Pearson correlation coefficient for subsidy removal and Standard of living. The correlation coefficient shows 0.816. This value indicates that correlation is significant at 0.05 level (2tailed) and implies that there is a significant negative relationship between subsidy removal and Standard of living (r = .816). The computed correlations coefficient is greater than the table value of r = .195 with 503 degrees of freedom (df = n-2) at alpha level for a two-tailed test (r = .816, p < .05). However, since the computed r = .816, is greater than the table value of .195 we reject the null hypothesis and conclude that there is a significant negative relationship between subsidy removal and Standard of living (r = .816, P < .05).

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Hypothesis Three

Ho: Subsidy removal does not negatively promotes poverty

Hi: Subsidy removal negatively promotes poverty

To examine the extent at which of subsidy removal promote poverty

Table 3: Coded Responses on research affects subsidy removal promotes poverty.

s/no	Questionnaire items	S.Agree /Agree	Disagree /S.Disagree	Total
		Freq	Freq	
1	Subsidy removal has cause many family to have insufficient	292	13	305
2	families started having poor clothing because of fuel subsidy	290	15	305
3		295	10	305
TOTAL		877	38	915

Source: field survey, 2017

Table 3 shows that 877 (96%) of the respondents indicated S.agree / agree, while 38 (4%) indicated disagree/ S.disagree . Based on responds from percentage analysis it was concluded that subsidy removal negatively promotes poverty.

Table 3a Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.758 ^a	.574	.573	.67965	.180

a. Predictors: (Constant), subsidy removal

b. Dependent Variable: Poverty

Table 3b ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	188.639	1	188.639	408.373	.000 ^b
Residual	139.964	303	.462		
Total	328.603	304			

a. Dependent Variable: Poverty

b. Predictors: (Constant), subsidy removal

Table 3c Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-.014	.090		-.154	.878
subsidy removal	1.099	.054	.758	20.208	.000

a. Dependent Variable: Poverty

R = 0.758
 R² = 0.574
 F = 408.373
 T = 20.208
 DW = 0.180

Interpretation :

The regression sum of squares (188.639) is greater than the residual sum of squares (139.964), which indicates that more of the variation in the dependent variable is not explained by the model. The significance value of the F statistics (0.000) is less than 0.05, which means that the variation explained by the model is not due to chance.

R, the correlation coefficient which has a value of 0.758, indicates that there is negative relationship between subsidy removal and poverty. R square, the coefficient of determination, shows that 57.4% of the variation in food items is explained by the model.

With the linear regression model, the error of estimate is low, with a value of about .67965 The Durbin Watson statistics of 0.180, which is not more than 2, indicates there is no autocorrelation. The subsidy removal coefficient of 0.758 indicates a negative significance between subsidy removal and food items, which is statistically significant (with t = 20.208). Therefore, the null hypothesis should be rejected and the alternative hypothesis accordingly accepted. Thus subsidy removal negatively promotes poverty.

IX. SUMMARY OF FINDINGS

The findings at the end of this study include the following:

- i. Subsidy removal significantly negative affect food items (r = 0.847; F = 770.904; t = 27.766; p < 0.05)
- ii. There is a significant negative relationship between subsidy removal and Standard of living (r = .816, P<.05).
- iii. Subsidy removal negatively promotes poverty (r = 0.758; F = 408.373; t = 20.208; p < 0.05)

X. CONCLUSION

The study concluded that Nigeria’s main source of income, policy changes in the petroleum industry have trickled down effect on the on the people and socioeconomic activities. Policy changes such as deregulation of the downstream sector of the petroleum industry which led to the removal of fuel subsidy by the federal government has socio-economic implications on the lives on generality of the people. The removal of subsidy in the petroleum sector and its relationship with suffering of the masses is not a recent development. It led to increase on the prices of goods and services, such as hikes in transportation costs and food.

XI. RECOMMENDATIONS

Government must put in place an effective regulatory framework to protect the citizens from exploitation by petroleum marketers. Therefore, the Petroleum Product Pricing Regulatory Agency (PPPRA) must be urgently reorganized. The ordinary Nigerian must be protected and money aimed at ameliorating the lives of the poor must be protected.

The federal government should also ensure that the subsidy reinvestment programme meet the targeted small scale business owners. By this, a special monitoring committee should be set up and mandated to follow up and evaluate the performance of the program.

The government should pursue the development of critical infrastructures like road, bridges, drainages and warehousing facilities, which added significant cost to the business owners and improve the life the citizens.

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