



FUEL SUBSIDY REMOVAL AND MITIGATION MEASURES FOR CITIZENS IN NIGERIA

Stephen Olufemi Obasa¹, Ph.D

Department of Business Administration
 Mountain Top University, Nigeria

soobasa@mtu.edu.ng

ORCID ID: <https://orcid.org/0000-0003-2893-4174>

Johnson Iyiola Ogundele², Ph.D.

Mountain Top University
 Department of Business Administration
 ORCID: <https://orcid.org/0000-0003-1490-0176>

jogundele@mtu.edu.ng

&

OMOREGBEE Daniel Nosakhare³

Department of International Relations
 Mountain Top University
dnomoregbee@mtu.edu.ng; nosadaniel4@gmail.com

ABSTRACT

Recently, there has been a growing demand for global fuel subsidy changes due to concerns expressed by policy-makers in both developed and developing countries. The phenomenon is a widely debated issue in the global communities. This idea of subsidy removal was advocated by World Bank and International Monetary Fund (IMF) to ensure fiscal sustainability and market efficiency. The argument of the government for the removal is to enable subsidy money to be reinvested into critical sectors of the economy that have not been performing well, reduce government borrowing, prevent smuggling and security risks, enhance product availability, and make provision for more social infrastructures, for the need of the citizens. The removal of the fuel subsidy in May 2023 by the government led to serious crisis due to unprecedented price hike of the product and unbearable inflationary spiral in transportation fares, food stuff, school fees, high level of poverty, and full-blown crises, organized by different movements such as Labour Unions and pressure groups, across the nation. The violence that engulfed the nation, led to the death and arrest of some protesters who felt that the government ought to have provided for mitigation measures in form of palliatives to cushion the negative impacts of the fuel removal on the citizens. The aim of this study was to find out the socio-economic and political impacts of subsidy removal on the nation and citizens' welfare. The research adopted content analysis by using secondary data collected from texts, newspapers, gazette, and articles. It is from this expository study that conclusion and policy recommendations were made.

Keywords: Subsidy removal, mitigation measures, citizens welfare, inflation, Nigeria

1. INTRODUCTION

The removal of fuel subsidy is a global experience that countries have to be handled with adequate care because of its subsequent impacts on the general welfare of the citizens and the state itself. In spite of the rising pressure from citizens to seek for the reduction of fuel prices, fossil fuel subsidy removal policy was implemented by governments in different nations of the world. The persistence in fuel subsidy removal in the global environment shows that the tendency to keep on increasing the price of the product pointed to the fact that the policy remains popular among nations (Jazuli, Roll & Mulugetta, 2026). The idea of subsidy removal is both economic and political in nature.

However, sufficient plans must be put in place to ameliorate the challenges this reform generated among citizens after its implementation. The impacts of such fuel subsidy removal on the economy and individuals vary from country to country. On the general view, the subsidy removal led to inflationary spiral of other consumable products, reduction in consumer demand and also made the output of industrial sector to decline (Okoroafor et al, 2025). The essence of fuel subsidy removal is to reduce financial burden on government, enhance revenue being generate by the government in every nation



of the world, reduce air pollution resulting from carbon emissions in local communities, also combating climate change (Sterner, 2007; Davis, 2014).

The removal of fuel subsidy usually poses controversy in every country. The repercussion is adverse in nature and it varies from one country to the other. The economic impact on the consumer is costly because prices of fuel become unaffordable and protest becomes the only source of compelling the government to rescind its unfavourable policy. Protest were witnessed in countries like, Bolivia in 2025, Ecuador in 2019, France in 2026, Angola in 2025 following fossil fuel removal (Valdez, 2025, Douenne & Fabre, 2022, Wanneburg, 2025). In Nigeria, such demonstration and protest took place at different periods to force the political ruling elite to realize the discontentment of the citizens. Nigeria witnessed the first protest against fuel subsidy removal in 1988. Most of the efforts of the governments to discontinue subsidizing the products never succeeded until 2023 when government took bold step to remove the fuel subsidy completely. The fundamental reason for removing the subsidy according to the government was to divert the subsidy funds to the provision of public infrastructure, education, health care, and jobs (Ojo, 2026).

2. FUEL SUBSIDY POLICY IN NIGERIA

Subsidies are financial assistance rendered by the state to cushion the effects of high cost of goods and services on the citizens. The government bears some part of the financial burden by paying for such goods and services. The financial implication of government's intervention is to lower the cost of products. The policy of fuel subsidy is a fiscal and welfare policy that involves the practice of reducing petrol prices below the market cost by remitting the difference or balance to importers or marketers.

The history of subsidizing fuel in Nigeria dated back to 1973 following the oil price shock. Since then, different regimes have been subsidizing fuel imported with huge budgetary provisions. Fuel subsidy policy was institutionalized in 1977 with the enactment of Price Control Act. This policy was meant to assist the economy of individuals by making the fuel product more affordable. However, the welfare policy of fuel subsidy meant to protect the poor consumers was very costly on the Nigerian budget (Idrisu, 2020; Ogbeide, 2023; Zinami, 2024; Umar & Umar, 2013). The inability of the government to sustain the subsidy due to huge foreign loan of N5.5 trillion in 2023 prompted the government to institute fuel subsidy removal policy to reduce debt experienced from subsidy. According to the statistic from the Nigeria Extractive Industries Transparency Initiative (NEITI), between 2006 and 2023, the Federal Government of Nigeria had spent N15.5 trillion on fuel subsidy (Ariemu, 2024). The implication of this removal is that fuel prices rose astronomically to N670 in March 2023, and by 2026, it had risen to N1,310 depending on the filling station since deregulation policy has made it possible for markers to sell at varying prices.

The removal of the fuel subsidy enabled the government to realise N 1.45 trillion (\$1.843 billion) as savings as at 2023. As at June 2025, the Nigerian government was able to save \$84 billion from subsidy removal. Meanwhile, successive governments had spent \$84.39 (70% of potential nation's revenue) on fuel subsidy (Okafor, 2023; Patrick-Okwoli, 2025; Akpan, 2025).

THE POLITICAL, SOCIAL AND ECONOMIC COSTS OF FUEL SUBSIDY REMOVAL POLICY

Political Costs

The political costs of fuel subsidy removal on Nigerian government are quite devastating.

First, it led to political distrust of government by the public. It made the public to identify the political ruling class as being deceitful and unreliable. The expectation of the citizens from the government was shattered. The social contract made between the citizens and the government whereby the former surrendered to the few ruling elites in exchange for the protection of their rights and provision of welfare were broken due to sudden removal of the subsidy.

Secondly, the intention of the government to invest the savings in essential amenities such as health, education, transportation, housing projects is never achieved. The action of the government made the citizens to experience unprecedented suffering such as high inflation in every household need. Transportation costs spiked uncontrollably.



Social Costs

The social cost of fuel subsidy is very severe on Nigerians. The removal policy affects the citizens in the following ways:

Unbearable high cost of living: the cost of transportation skyrocketed, thereby making it difficult for individuals to afford transportation fares. Again, some parked their cars at home since they could not purchase the fuel due to the hike created by the subsidy removal. Currently, the price is not stable as it has jumped to N1310 and N1320 depending on where it is purchased. The impact of fuel hike led to price increase in other goods and services.

Unavoidable Social Unrest: the removal of fuel subsidy sparked unprecedented protest and workers strikes among the affected vulnerable groups. Protest is an expression of dissatisfaction over public policy formulated by the government on issues affecting the society and the state. Ortiz et al. (2022) viewed protest as an individual or collective action meant to express opposition to ideas, views or values. Protest sometimes lead to tragic death.

Psychological Trauma: Fuel subsidy removal had great effect on citizens beyond rising cost. It poses psychological trauma for a lot of individuals. It led to economic shocks which resulted to fear of survival that culminated to stress and depression among Nigerians. The bandwagon effects of the inflation on other things like house rent, transportation, food and school fees of children made some to lose their sleep and focus.

Exposes youth to unlawful practices: the attempt to survive the current trend created by the subsidy removal led some youths to involve themselves in shady deals like scam, cybercrime, robbery, money rituals, kidnapping and banditry. From the research conducted by Adiaka in Calabar, the data shows that 76% respondents agreed that oil subsidy removal had an impact on crime rates (Adiaka, 2026).

Economic Costs

The economic implications of fuel subsidy are multifaceted in nature.

Agitation for wage and salary increase:

This is a fixed cost on the federal government of Nigeria. The subsidy removal policy made the wages and salaries of workers to drop because the prices of food and other products rose up astronomically. This sudden increase of fuel price, while the wages and salaries remained constant prompted the labour unions (NLC and TUC) to request for review in their monthly pay. Labour believed that this increase would cushion the economic and financial stress caused by the removal of subsidy. The implication of such demand on the country's recurrent expenditure is high.

Declining Investment:

The sudden fuel subsidy removal poses long term reduction of local and foreign investment in the economy. The cost of production on recurrent and fixed expenses became higher. Some investors left the country because of the inability to power their manufacturing equipment such as industrial generator. Capital inflows dropped to low in 2023. In fact, the capital imports fall to \$4 billion in 2023. However, due to federal government reforms in 2025, there was an upward capital importation to \$23.22 billion (Ityokura, 2026). The Small Medium Enterprises (SMEs) are affected by the fuel subsidy removal because their operation costs rose.

Unemployment appreciated

The impact of fuel subsidy removal policy on the economy has heightened unemployment in Nigeria. The profit margin realized by the companies reduced due to declining purchasing power of consumers. Some foreign and local investors had to downsize while some shut down completely. The poverty headcount ratio worsened sharply following subsidy episodes. Chukwudi, et. al., (2025) showed in their research that fuel subsidy level has a significant effect on unemployment rate and sector-specific employment rate in Nigeria.

NECESSITY FOR FUEL SUBSIDY REMOVAL IN NIGERIA

There are multifarious reasons for the justification for the removal of fuel subsidy in 2023 after the swearing in of President Ahmed Bola Tinubu. Among the fundamental factors, are to:

Discourage the act of smuggling of fuel product:

The act of smuggling fuel to neighbouring countries in order for individuals to make huge money by selling the product at higher cost since subsidy made the product to be cheaper at home, but higher



abroad, particularly in countries where subsidy expenses was cut or removed by government. In order to achieve their plans, the smuggler sometimes vandalize the pipeline to enable them to tap fuel from the source.

Dissuade government from borrowing:

Subsidizing fuel is a financial strain on any country because the chunk of the money meant for the product is borne by the government. While the developed countries are financially stable to engage in this social welfare, the developing countries have to borrow to be able to subsidize the product. The federal government regretted spending N4.6 trillion per year on subsidy. According to the government, part of this money was borrowed from International financial institutions.

Enable government to have budget surplus for capital projects:

The government assured the citizens that subsidy money realized from the removal would be spent on infrastructure, social programmes, debt servicing, health and education. According to the government, the fiscal buffers were directed towards financing critical infrastructure project (Yakubu, 2025). President Tinubu said the fiscal gain from subsidy removal was “channeled into critical infrastructure, social safety nets, and targeted economic reforms aimed at rebuilding public trust and promoting inclusive development (Essien, 2025).

Prevent scarcity of the product:

The illegal bunkering engaged in by some scrupulous individuals was reduced following the introduction of fuel subsidy removal policy. The subsidy era allowed the illegal movement of fuel to neighbouring African countries. Its consequential effect is that it created persistent oil scarcity in Nigeria. With the fuel subsidy removal policy, there is constant availability of fuel in the country. This is because smugglers are finding it difficult to purchase the product at high price rate. According to an energy expert, smuggling was essentially a form of market arbitrage driven by price imbalances, adding that whenever commodities could move across borders, traders are incentivised to exploit pricing gaps (Koiki, 2026).

Reduce importation of fuel from foreign countries:

The reduction in illegal exportation of fuel by certain individuals helped in controlling scarcity of the product since the subsidy removal policy was implemented. Again, the reduction of imported fuel is as a result of increase in the production at home. The Nigeria National Petroleum Corporation Limited (NNPCL), has not imported any litre of fuel since the beginning of 2025 (Anuku, 2025). This could be because the local supply increase to 670% within the first quarter of 2025 (Anuku, 2025). The resuscitation of the Port Harcourt Refining Company in late November, 2024 also have impact on the rising supply of fuel according to the Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA) (Anuku, 2025).

Remove distortion to the Diversification of the economy:

The removal of subsidy removes obstructions to the diversification of the economy. it enables the government to release the money saved from fuel subsidy towards non-oil sectors such as agriculture, manufacturing, technology and infrastructure. The implication of paradigm shift in investment is that it limits the traditional dependence on oil. The government can now generate revenue from other sub-sector of the economy.

3. MITIGATION MEASURES AFTER FUEL SUBSIDY REMOVAL POLICY

The government introduced different mitigation means as palliatives for cushioning the negative impacts of fuel subsidy removal on individuals, and private business owners. The mitigation measures provided by the government came as a result of general protests from the citizens. Meanwhile, those measures ought to have been implemented before the institution of the policy, to prevent resistance from individuals within the state.

i) The federal government granted workers wage award of N35,000 for 6 months from September, 2023 and minimum wage of N70,000 from 2024. Household education costs reduced through the interest-free loans granted to students. Lecturers in federal university also experience upward review of salary to 40% effective from 1 January, 2026, to relieve them of the effects of fuel price increase. The federal government also approved 30% increase in the consolidated salary structures of Non-academic staff in federal institutions beginning from April, 2026.



- ii) The federal government also provided cash support to citizens. Those household that are negatively vulnerable to the impact of fuel subsidy removal are also paid N25,000 per month for 3 months. This was funded from World Bank loan of \$800 Million. The government could only reach out to N15 million vulnerable households.
- iii) The micro, small and medium businesses and other informal sector received N125 billion between June 2023 and March 2024. This money was shared by the federal ministry of Industries, Trade and Investment. N50,000 billion was shared among the nano businesses in 774 local government councils. The micro, small and medium enterprises (MSMEs) were funded with N75 billion in form of loans ranging from N500,000 to N1 million.
- iv) Introduction of subsidized mass transit to citizens. The federal and some state governments subsidized their transport fares. Nationwide travel fare discounts during festival periods are also provided to citizens. Transportation fare was reduced to state civil servants and federal civil servants in Abuja. The sum of N100 billion was provided in the federal government budget for the procurement of Compressed Natural Gas (CNG) buses and tricycles to enable the citizens to have access to affordable fares. The 36 states and the federal capital territory (FCT) were also allocated N5 billion each in addition to the supply of grains and rice, to be shared among the indigenes.
- v) Health palliatives provided by the state and federal governments. There is different health relieve packages provided for the citizens after the fuel subsidy removal. Free primary healthcare services such as emergency treatment, antenatal care, child delivery, reduction in price drugs, free medical check-up, were provided with subsidy savings between 2024 and 2025. Some state governments gave health insurance to public servants, and also embark on free local medical missions.

4. METHODOLOGY

Given the thematic nature of this topic on subsidy removal and its implications on the economy and the society, this study adopted a systematic review (SR) of the literature to carry out its investigation. These involve the qualitative data collected from recent textbooks, journals, newspapers, online publication.

5. THEORETICAL FRAMEWORK

There are many theories that scholars have used to explain the causes and challenges associated with the implementation of fuel subsidy removal policy in Nigeria. Those theories are meant to enhance proper explanation and thorough understanding of the impact of paradigm shift in fuel subsidy policy and the economic, social, political, and environmental challenges experienced by the citizens. Among the theories that can be used to comprehensively explain the impacts of fuel subsidy removal are Contingency Theory, Rational Choice Model, Social Contract Theory, Elite Theory, , Marxist Theory and Communication Theory.

Contingency theory is considered to be the extension of the systems approach. It proposes that there is no means of solving organizational or national issues. It argues that each organization or state has its own peculiar problem, and that it has to be addressed base on the contingency of the situation. According to Sharmana and Sadana (2006), the contingency scholars who actually contributed to the approach are: Fremont Kast, James Rosenzweig, Daniel Katz and Robert Kahn, Tom Burns and G. M. Stalker, Selznick, Robert Lawrence, Richard Lawrence, Selznik, Woodward, Lorsch, James Thompson, and others. The contingency theory is very significant of the explanation of the fuel subsidy removal in the sense that the government found itself in a situation that made it impossible for it to sustain the fuel subsidy, considering the huge foreign debt and its strain on the government budget. Other governments before President Tinubu, introduced gradual removal of fuel subsidy, nevertheless, the financial burdens of such responsibility kept on threatening government finance as debt rose beyond the ability of government to pay. The militant approach of President Tinubu, though sudden, but the contingency of the situation warranted his unprecedented action.

Rational choice theory postulates that individuals or nations are rational actors that consider the cost-benefit effects of carrying out actions. It is assumed that actions are based on minimizing costs and maximizing benefits of human actions. It is also assumed that human actions are logical to produce reasonable outcomes. Rationalists believe that rational actors choose the best alternatives to secure the greatest benefits. This theory can be used to explain the fuel subsidy removal in the sense that the same policy is applied to curb expenses of government in other nations, and it has worked for them. The



thinking of Nigerian government under the leadership of President Obasanjo is to adopt fuel subsidy removal policy in order to utilize it on developing infrastructure in health, education, transportation and other sectors that will benefit citizens.

The principles of micro-economic theory was used by Adam Smith to analyse the political behavior of individuals in the state.

Social Contract theory was established by Thomas Hobbes, John Locke, Jean Jacques Rousseau, and Rawls, and it contained the idea that individuals surrendered some of their rights to a central authority in exchange for security and order. The consent of individuals was based on the chaotic experienced they had before the institution of government. Hence, they had to exchange their freedom for collective security and good governance that would promote orderliness and tranquility. According to Magnuson (2025), the analysis of social contract scholars identified two social contract pacts such as a societal pact and a governance pact. While the former involves total allegiance to the state by the government, the other contains government fulfilling its promises to enable the citizens to develop social and political trust in the promises made during political campaign by contestant. The social contract theory is a framework that can be used to analyse the fuel subsidy removal policy instituted by President Tinubu, and the resistance of individuals to the action of government. The citizens protested against subsidy removal because of lack of political trust in the promises made by President Tinubu. First, he assured Nigerians that removing the subsidy would prevent borrowing from foreign financial institutions. Secondly, savings would be diverted to other developmental sectors that will alleviate the suffering of the people is still a myth. With the inflation rising beyond the poor due to the removal of subsidy, the protest became unavoidable.

Marxist theory focused on class relations, accumulation of wealth, and exploitation of the have not by the have under the capitalist system. Marxist view of fiscal crisis, if viewed from Nigerian context, it elucidates how over 4 Trillion-naira subsidy cost was spent in the course of sustaining it. Viewing the state from Marxist angle, it serves as a machinery through which capital is accumulated. Hence, the state had to resolve between maintaining fuel consumption by households and capitalist profit at the same time. The pressure from the IMF and World bank that developing countries should remove fossil subsidy as a condition for getting loan made Nigerian government to align with such demand to enable it to access loan. This theory explains the inability of the government to sustain fiscal burden posed by the subsidy, and thus saw the need to shift the cost to workers and the proletariat or peasantry. Resistance became necessary on the part of the citizens because the policy promotes exploitation.

Communication theory is one of the theories that explain the gap between the decision of government on 2023 fuel subsidy removal and the protest from the citizens. The conflicting information by the communication media generated by government, political class, civil society, citizens, and media practitioners about how and why government removed fuel subsidy intensified protest from the citizens. Communication theory entails the role of proper and adequate disperse of information concerning a decision to the recipient. This theory is very germane to government-citizen relations. The ruling elite did not inform the public concerning the decision of the government to remove fuel subsidy. Perhaps, no statement was made by the government concerning palliatives for citizens. The mitigation strategies came after the public raised an alarm of its unfavourable impacts on the household goods. There was no adequate information from the government circle before the policy was implemented. One can conclude that citizens acted the way they did because communication principles which involve how messages get created, sent, received and interpreted were not observed properly.

Elite theory is another framework for explaining fuel subsidy removal policy. public policies reflect how elites engage in bargaining to protect their interests. The elites are the influential in the society. Their demands are not to be defended by the poor but by their groups who control power. The elite theory is significant to fuel subsidy removal phenomenon because policy is not about protecting the interests of the citizens but about elite realignment. Between 2016 and 2022, the elite resisted any fuel reform not favourable to them because they benefit from subsidy claims. This theory saw mitigation strategies as means of maintaining system and not ideal social welfare. Elite theory enables us to know that the protest from the masses will only lead to strike and demand for wages and salaries and not for



the realization of policy reversal because the ruling class has state apparatus to resist any dissent or opposition that can threaten their position in governance.

EMPIRICAL FRAMEWORK

Some scholars carried out some studies on the fuel subsidy removal policy of Nigerian government. Among them are: Osunmuyiwa and Kalfagianni (2017) who examined how fuel subsidy reforms serve as a catalyst for energy transitions. They argued that removal of fuel subsidy could result to a paradigm shift in the consumption of energy and diversification into another sector of the economy. With diversification, the government's expenditure revenue would rise. Nwafor, Ogundele and Asogwu (2006) also analyse the impact of subsidy on the poor household by using a computable general equilibrium. They argued that the fuel subsidy removal affected the poor than the rich. Omotosho (2019) carried out an adequate analysis of how fuel price had macroeconomic implications on the state. He applied New-Keynesian DSGE model to explain the impacts of foreign oil price fluctuations on the retail cost of the fuel. However, the study did not adequately consider the socio-economic and political impacts of fuel subsidy removal on vulnerable households of the society. Ikenga and Oluka (2023) investigated the significance and the problems that are associated with the policy of subsidy removal on the economy of Nigeria. They applied descriptive analysis to explain this. Nick Simpson, Shandelle Steadman, Theo Tindall, Elizabeth Tan, Kathryn Nwajiaku-Dahou, Chukwuemeka Emenekwe, Chukwumerije Okereke, Robert Onyeneke (2024) conduct a study on the sustainability of fuel subsidy reform in Nigeria. In their investigation, they provided an evidence-based analysis of the rationale behind subsidy removal, and how the government can sustain it. They recommended that savings from fuel subsidy removal can be utilized for the sustainability of socio-economic development.

Lawal and Umar (2024) conducted a study on the "impact of fuel subsidy removal on the welfare of Nigeria's working class, examining the policies surrounding fuel pricing and its socio-economic consequences". According to the scholars, the efforts to implement subsidy removal policy the way President Bola Ahmed Tinubu did was not adequately successful because they were able to consider the political, social and economic implications on the state. This action of retaining subsidy by previous governments was to reduce the cost of fuel. Their observation concerning the implications of the fuel subsidy removal by President Tinubu tallied with other scholars, which involve the high cost of products, transportation, reduction in purchasing power of consumers, and aggravation of poverty. They also concluded by saying that the assistance programmes were not adequate to cushion the suffering of citizens. Odojoma, Musa, Maduekwe, Isah, Idiege, Emmanuel, Ogunrinde, and Atteh (2024), investigated in their study, how the Bwari Area Council at the capital in Abuja were affected seriously by the fuel subsidy removal. They indicated in their studies that the impact on the people was devastating considering the declining business propelled by transportation costs, rise in foodstuff and unbearable healthcare costs.

POLICY RECOMMENDATION

The policy of fuel subsidy removal is not limited to Nigeria. However, the way of managing it differs from one country to another. The Nigerian government can improve on the various measures adopted by:

- i) The policy formulation and implementation should be inclusive. Different stakeholders should have been involved; such as civil society organisations, interest groups, legislators, oil experts, academicians, economic analysts and legal practitioners. The government should have granted sufficient time for public discourse before implementing it. This will enable the public to see reason with the decision of the government.
- ii) To make the fuel subsidy removal more impactful, there should be adequate transparency in the spending of the revenue generated from the policy by those in governance.
- iii) The government should channel the fund from subsidy to sectors that are beneficial to the poor masses, particularly in infrastructure, social welfare, transportation, agriculture, health, and education. This is to enable low-income earners and the poor to have access to those goods and services at cheaper prices.
- iv) The various palliative measures provided should be carefully monitored for proper accountability to prevent such resources from being channeled elsewhere.



CONCLUSION

The adoption of the new fuel subsidy removal policy resulted from the inability to sustain the practice due to the financial implications on government budget. This sudden removal affected the citizens negatively following the inflation of fuel and its bandwagon effects on other household products. The government efforts to reduce the adverse impacts on citizens led to the introduction of strategies to mitigate the suffering meted on consumers. If the government had done the removal of subsidy in stages, probably the level of suffering would have reduced. The complete removal of subsidy was not economically, socially and politically favourable to individuals and the state. Though the government was able to generate fund from its action, but the crisis that followed has left indelible suffering that eroded the dividend of democracy. The provision of palliatives was criticized for lack of transparency, accountability, equity, justice and improper monitoring by government agencies.

We recommend that the government should ensure more palliatives to households to enable the poor to increase their purchasing power and also promote better standard of living.

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