



THE EFFECT OF FUEL PRICE HIKE ON SMALL AND MEDIUM ENTERPRISES VIABILITY IN LOKOJA, NIGERIA.

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ABSTRACT

This study explores the effect of Fuel Price Hike on Small and Medium Enterprises Viability in Lokoja, Nigeria. Through a survey of 125 respondents, data was collected using primary data with the aid of a questionnaire. The findings reveal that the effect of fuel price hikes on operational costs of small and medium enterprises includes increased production costs, supply chain disruptions, lack of customer demand, difficulties in maintaining stable pricing for their products or services and increase transportation expenses. Similarly, findings of economic consequences of fuel price hikes on Small and Medium Enterprises include increased operational cost, challenges in budgeting & financial planning, strain profit margins and hinder investment decision & ability to expand. The identified results also highlight the complex interplay of various factors influencing fuel price hikes such as Global oil prices, exchange rate fluctuations, government policies, operational costs, inflation, and corruption all play significant roles in determining the extent of fuel price hikes in the country. The study recommends that Government should advocate for policies that stabilize fuel prices or provide subsidies for Small and Medium Enterprises. Also, Small and Medium Enterprises owners are encouraged to continue implementing adaptive strategies, including energy-efficient technologies and diversification of energy sources.

Key words: Fuel price fluctuations, Small and Medium Enterprises, Economic impact, Viability.

INTRODUCTION

Nigeria, renowned as Africa's most populous nation and poised to become the world's third-largest in population, boasts a rich history in the oil sector. With oil discoveries dating back to 1956 in the Niger Delta region, Nigeria has since become a member of the Organization of Petroleum Exporting Countries (OPEC) and established the Nigerian National Petroleum Company (NNPC) in 1977 (Economist, 2017). The NNPC plays a pivotal role in both the downstream and upstream sectors of Nigeria's oil industry, which serves as a cornerstone of the nation's economy. Accounting for over 90% of the country's earnings, petroleum exports from Nigeria make it the 8th largest oil exporter globally, supplying countries like the United States, India, Europe, Canada, and Brazil (Enitan, 2017).

The Nigerian government's involvement in deregulation policies within the downstream petroleum sector, particularly the withdrawal of petroleum subsidies, often leads to increases in fuel prices and subsequent rises in transportation costs and the prices of other commodities (Henry *et al*, 2020). Consequently, fuel price fluctuations have profound effects on the Nigerian economy, affecting both micro and macroeconomic

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aspects (International Energy Agency, 2021). Small and Medium Enterprises (SMEs), crucial drivers of economic activity, are particularly susceptible to the impacts of fuel price adjustments, which influence productivity, turnover, and profitability (PWC, 2023). The price of petrol, considered a major determinant of the cost of living, directly affects SMEs and households, given the unreliable electricity supply (Wisdom, 2022). Any increase in fuel prices directly impacts the prices of goods and services, potentially reducing the standard of living and exacerbating poverty and inequality.

In Lokoja, Nigeria, SMEs constitute the backbone of the local economy, providing employment opportunities, fostering innovation, and contributing significantly to economic development (Wisdom, 2022). However, SMEs face numerous challenges, including subsidy removals and fluctuating fuel prices, which significantly affect operational costs and profitability (Adeleke, 2018). The persistent fluctuations in fuel prices pose formidable challenges to the viability and sustainability of SMEs in Lokoja, impacting their profit margins, pricing strategies, and supply chain operations (National Bureau of Statistics, 2022).

Rising fuel prices lead to increased operational costs for SMEs, affecting their competitiveness and financial stability (Doe and Smith, 2020). SMEs may struggle to absorb these additional costs, resulting in higher prices for goods and services and potential loss of customers (Okoye, 2019). Cash flow management becomes challenging, and disruptions in supply chains can hamper production timelines and customer satisfaction (Adeleke, 2018). Moreover, sustained fuel price hikes can erode profits, limiting reinvestment opportunities and potentially leading to business closures and job losses (International Energy Agency, 2021).

To survive in this challenging environment, SMEs must adapt and implement strategies to mitigate the impact of fuel price hikes. Policymakers need to understand these challenges and formulate effective interventions to support SME resilience and growth in Lokoja and beyond. Therefore, this study aims to investigate the effect of Fuel Price Hike on Small and Medium Enterprises Viability in Lokoja, Nigeria, providing valuable insights for policymakers and business owners alike.

The following research questions are to be addressed:

- i. How do fuel price hikes impact the operational costs of Small and Medium Enterprises in Lokoja, Nigeria?
- ii. What are the economic consequences of fuel price fluctuations on the overall viability of Small and Medium Enterprises in Lokoja?
- iii. To identify factors influencing fuel price hikes in Lokoja, Nigeria.

The broad objective of this study is to investigate the effect of Fuel Price Hike on Small Business Viability in Lokoja, Nigeria. The specific objectives of this study include:

- i. To analyze the operational challenges faced by Small and Medium Enterprises in Lokoja due to fluctuations in fuel prices.
- ii. To assess the economic consequences of fuel price hikes on Small and Medium Enterprises in Lokoja, Nigeria.

REVIEW OF RELATED LITERATURE

Overview of Fuel Price Hike and Small and Medium Enterprises in Nigeria

Nigeria's recent fuel price hike has sparked widespread concern among citizens and businesses alike. The Nigerian National Petroleum Corporation increased the cost to N617 (\$0.78) per litre, marking the highest price in the history of Africa's largest oil producer. This move came following President Bola Tinubu's decision to eliminate fuel subsidies and open the market to other gasoline importers, thereby ending the NNPC's monopoly. While these economic reforms aim to liberalize the currency market and reduce government expenditures, they have resulted in soaring fuel prices, posing a significant challenge to millions of Small and Medium Enterprises (SMEs) in Nigeria (Businessday, 2023). The fluctuation in fuel prices, influenced by political issues and other external factors, constantly impacts the activities of SMEs, hindering their growth prospects. Studies by Krane and Hung (2016) have identified various internal and

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external factors limiting the growth of SMEs globally, with policies playing a significant role in constraining their expansion. Crude oil, as a key driver of the global economy, significantly impacts economic growth and welfare, with fuel price shocks transmitting through various channels into the economy, thereby increasing production costs and affecting SMEs' operations across different sectors.

The sharp rise in fuel prices has prompted significant changes in organizational policies in Nigeria, with subsidy cuts, fee increases, and reduced benefits for public sector workers. These subsidy cuts, exceeding 50% of the original subsidy, imply reduced financial support for SMEs and an increase in the cost of commodities (Asane-Otoo and Schneider, 2020). Consequently, inflation rates have surged, and SMEs find themselves unable to negotiate price concessions or pass on inflationary pressures to consumers due to decreased consumer spending resulting from lower oil prices and reduced income levels. Aniobi, Adedokun, Akinsanmi and Nweze (2021) revealed that huge successes were recorded from the massive utilization of solid minerals before the discovery of oil in commercial quantity in Nigeria. In essence, the fuel price hike in Nigeria has triggered a chain reaction of economic challenges for SMEs, necessitating strategic adaptations and policy interventions to mitigate the adverse impacts and foster sustainable growth in the SME sector (World Bank, 2020).

Theoretical Review

Two Theories are discussed, the Resource-Based View (RBV) Theory and Institutional Theory on which the work is anchored on.

Resource-Based View (RBV) Theory (Jay Barney in 1991)

The Resource-Based View (RBV) Theory, proposed by Jay Barney in 1991, posits that Small and Medium Enterprises (SMEs) possess unique resources and capabilities, and the diversity of resources across firms influences their performance. In Lokoja, Nigeria, SMEs are expected to experience varying impacts from fuel price fluctuations based on their resource endowments. The theory assumes that firms within an industry have different resources and capabilities, and these resources are not easily transferable between firms.

Businesses that can strategically adapt and utilize their resources will be better equipped to navigate challenges arising from fuel price fluctuations. The strengths of the RBV Theory lie in its focus on internal strengths and capabilities, offering insights into how firms can leverage their resources to gain a competitive edge. However, a weakness of the theory is its limited consideration of external factors such as government policies or market conditions, which can significantly impact SMEs. Despite this limitation, the RBV Theory is relevant for identifying which SMEs in Lokoja are better positioned to adapt and remain viable by effectively leveraging their internal resources. It highlights how SMEs can strategically deploy their resources to mitigate the effects of fuel price hikes and maintain competitiveness in the market (Jay Barney, 1991).

Institutional Theory (DiMaggio and Powell in 1983)

Institutional theory, introduced by DiMaggio and Powell in 1983, posits that Small and Medium Enterprises (SMEs) respond to external pressures by conforming to established norms and adapting to prevailing institutional practices. This theory assumes that organizations seek legitimacy by conforming to norms, rules, and beliefs, and are influenced by their institutional environments. In the context of fuel price hikes, Institutional theory suggests that SMEs in Lokoja will conform to established norms and adapt to institutionalized practices in response to external pressures. Government policies and regulations play a crucial role in shaping SME behavior within the institutional environment. The theory highlights the impact of external factors on organizational behavior and recognizes the importance of legitimacy for organizational survival.

However, Institutional theory may underestimate the role of strategic decision-making by organizations in response to external pressures and assumes a homogenization of organizations within an institutional environment. Despite these limitations, Institutional theory remains relevant for understanding how SMEs

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in Lokoja may conform to or challenge prevailing institutional norms in response to fuel price hikes (DiMaggio and Powell, 1983).

Both the Resource-Based View (RBV) theory and Institutional theory offer valuable insights into the effects of fuel price hikes on SMEs in Lokoja. While RBV theory focuses on internal capabilities, Institutional theory emphasizes external influences on business behavior. Integrating these frameworks can provide a more comprehensive understanding of the dynamics at play in response to fuel price volatility.

Empirical Review

Abiodun (2023) carried out a study on the impact of increased fuel price on businesses in Nigeria on International Journal of Business and Management. A purposive sampling technique was carried out in Nigeria. Descriptive statistics was used for the study. Findings of the study shows that increase in fuel costs will undoubtedly affect a company's supply chain, as vendors and suppliers, operating costs of businesses have increased, workforce cuts, lack of customers demand and physiological effects are associated with the impacts of fuel price hike on businesses. The study recommended that a handful of businesses will have to adjust to the economic shortfalls prone to changes such as slower hiring, increased layoffs, slower industrial production and a stalled housing market. Also, government should look into reducing the price of fuel to enable booms in Small and Medium Enterprises. The study carried out by Abiodun did not look at the adaptative strategies employed by Small and Medium Enterprises.

Edet (2023) investigated the Impact of Fuel Subsidy Removal on Small and Medium Enterprises in Nigeria on Strategic Management Journal. The study was a social survey of 50 respondent carried out in Nigeria. The study noted that the removal of fuel subsidies has been a contentious issue, often accompanied by socio-economic consequences and Small and Medium Enterprises are the lifeblood of Nigeria's economy, contributing significantly to job creation, economic growth, and poverty reduction. The findings of the study indicate that fuel price hike have affected Small and Medium Enterprises which have affected impact on Employment, Inflationary Pressure, Supply Chain Disruptions, and Increased Operating Costs. The study recommends that government can provide targeted financial assistance and incentives to Small and Medium Enterprises to help alleviate the immediate burden of fuel price increases. Encouraging the adoption of renewable energy sources and energy-efficient technologies can help Small and Medium Enterprises reduce their reliance on fossil fuels, easing the impact of fuel price fluctuations. Enhancing financial literacy among Small and Medium Enterprises owners and improving access to capital can enable SMEs to explore innovative solutions and expand their business operations. The study carried out by Edet used a small sample size to represent Nigeria.

Khalid and Veena (2022), investigated the impact of fuel price on SMES in Oman on Asian Journal of Advances in Research. The study sampled 100 participants using a multistage sampling technique. Descriptive statistics was used for the study. The findings of the study noted that decrease in fuel prices in Oman resulted in the increases in charges imposed by the government in various services. This has increased the challenges facing the SMEs in Oman and the research has aimed to examine these factors to identify the impact on the performance of the small and medium scale organizations. The key findings show that there has been significant increase in interest rates in financial institutions. This means that the financial organizations are charging more for their services to the SMEs. The frequency loan approvals have decreased and the financial companies have become stringent in providing investment funds to these small-scale organizations. Moreover, the removal of subsidy from the government has affected the micro organizations tremendously as they are not getting enough support to flourish. The study recommends that SMEs must be flexible to adapt to the changes in the market and to address the macro changes. It also recommends that SMEs must be flexible to adapt to the changes in the market and to address the macro changes. The work of Khalid and Veena did not place emphases on government responsibility to reduce the effect of fuel price hike on SMEs.

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Anthony and Jamal, (2020) study sought to evaluate fuel price adjustments and growth of SMEs in the New Juaben Municipality of Ghana on International Journal of Small Business and Entrepreneurship Research. Descriptive statistic was used for the study. The specific objectives were to: find out whether fuel price adjustment affects SMEs negatively or positively, and explain the effect of fuel price adjustment on employment, turnover and output of SMEs in the New Juaben Municipality. The study was a social survey with a sample size of 204 and a purposive sampling was used to illicit information from respondents in which quantitative and qualitative analysis were undertaken. The results of the study showed that, increases in fuel price due fuel price adjustment result in increases in transportation costs, raw material costs, capital costs and other costs but have a negative relationship with consumer real income. In addition, increases in fuel price constrained the growth of Small and Medium Enterprises. The study recommended that, government should take steps to subsidize the fuel costs of Small and Medium Enterprises to enhance their growth which could lead to increase in employment. Small and Medium Enterprises should be provided with managerial training to enhance their understanding of their activities. The work of Anthony and Jamal was carried out appropriately with a large sample size.

Henry *et al*, (2020) study investigated petroleum subsidy withdrawal, fuel price hikes and the Nigerian economy on International Journal of Energy Economics and Policy. The purpose of the study was to determine the extent to which the removals of petroleum subsidies stimulate hikes in fuel prices and increases in the prices of products of other sectors in the Nigerian economy. It employed input-output model to determine the value added per sector from the computed table of flow of goods. Subsequently, the impacts of reductions in petroleum subsidies (10%, 20%, 30%, 40% and 50%) on the prices of products from the other sectors were computed. Results showed that reduction in petroleum subsidies stimulate increases in prices of petroleum products and such increases trigger increases in transport fares; increases in transport fares subsequently lead to increases in prices of other products owing to the degree of interdependency among the various sectors. The need for policy makers to be mindful of the economic implications of subsidy removal was suggested, among others. Henrys work only uses secondary data to determine the extent to which the removals of petroleum subsidies stimulate hikes in fuel prices and increases in the prices of products of other sectors, it did not directly carry out a survey on how fuel price hike affects Small and Medium Enterprises.

Stephen (2020) study took a critical look at the impact of Fuel price increase on the Nigerian economy (Whether negative or positive) on Mediterranean Journal of Social Sciences. The study adopted a survey research design approach to evaluate the level of effect the fuel price increase has on the Nigeria economy. The population of the study is made up of Civil Servants -CS, market men and women-MMW and staff in the private sectors-SPS 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 pretest 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 economic growth in Nigeria. It was also discovered that the Nigeria 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.

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Babantunde (2019) paper studies the macroeconomic implications of oil price shocks and the extant fuel subsidy regime for Nigeria on Journal of Economic and Financial Modelling. They develop and estimate a New-Keynesian DSGE model that accounts for pass-through effect of international oil price into the retail price of fuel. The results show that oil price shocks generate significant and persistent impacts on output, accounting for about 22 percent of its variations up to the fourth year. Under our benchmark model (i.e. with fuel subsidies), they show that a negative oil price shock contracts aggregate GDP, boosts non-oil GDP, increases headline inflation, and depreciates the exchange rate. However, results generated under the model without fuel subsidies indicate that the contractionary effect of a negative oil price shock on aggregate GDP is moderated, headline inflation decreases, while the exchange rate depreciates more in the short-run. Counterfactual simulations also reveal that fuel subsidy removal leads to higher macroeconomic instabilities and generates non-trivial implications for the response of monetary policy to an oil price shock. Thus, this study cautions that a successful fuel subsidy reform must necessarily encompass the deployment of well-targeted safety nets as well as the evolution of sustainable adjustment mechanisms. However, the work of Babantunde did not directly carryout a primary survey on small and medium enterprises.

Lorussoa and Pieronib (2018) investigated the “causes and consequences of oil price shocks on the UK economy on Economic Modelling Journal.” The survey used secondary data to carry out analysis. They assessed the consequences of oil price fluctuations on the UK economy by employing a method which permitted the decomposition of oil price fluctuations from the root causes of the shock. The result of the study found out that different types of oil shocks were responsible for the consequences that oil price fluctuations had on macroeconomic aggregates in the UK and that a rise in real oil price causes increases in domestic inflation. The recommend the government should put more effort in reducing oil price shocks. The work of Lorussoa and Pieronib did not directly carryout a primary survey on small and medium enterprises to known the effect of fuel price hike.

METHODOLOGY

Primary data was collected from Small and Medium Enterprises using a questionnaire designed to explore the impact of fuel price hikes on small business viability in Lokoja, Nigeria. The study participants include Small and Medium Enterprises owners and managers of 12,187 registered businesses with SMEDAN in Lokoja, Nigeria, representing various sectors such as trade, agriculture, and services (SMEDAN, 2023). A stratified random sampling technique was employed to ensure diversity across industries and business sizes. The sample size for this study was determined using Yaro Yamane formula.

Sample size formula: $n = N / (1 + N * (e^2))$

Where: n= sample size, N= population size = 12187, e= sample error =0.08

Therefore; $= 12187 / (1 + 12187 (0.8)^2) = 125$

The sample size for this study is 125.

Statistical tools such as descriptive statistics, 5-point Likert scale rating and multivariate regression anlysis were applied to quantify the relationship. Data were transcribed in SPSS, coded, and analyzed thematically, facilitating the identification of key themes and insights.

DATA ANALYSIS AND DISCUSSION OF FINDINGS

Table 1: Demographic Profile of The Study Area

Variables	Frequency	Percentage
Gender		
Male	58	46.4
Female	67	53.6
Total	125	100.0
Age (years)		

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Below 20 years	8	6.4
21-30 years	26	20.8
31-40 years	34	27.2
41-50 year	34	27.2
Over 51 years	23	18.4
Total	125	100.0
Educational Background		
Primary	13	10.4
Secondary	23	18.4
Tertiary	65	52.0
Adult education	24	19.2
Total	125	100.0
Annual Revenue		
0-100, 000	11	8.8
101,000-200,000	19	15.2
201,000-300,000	28	22.4
301,000-400,000	49	39.2
Above 401, 000	18	14.4
Total	125	100.0

Source: Field survey, 2024.

The demographic profile of respondents in the study indicates that a total of 125 questionnaires were properly filled and returned, with the majority of respondents selected from Lokoja, Kogi State, reflecting the concentration of Small and Medium Enterprises in the area.

Regarding gender distribution, 46.4% of respondents were male, while 53.6% were female. In terms of age, the largest proportion of respondents (54.4%) fell within the age group of 31-50 years, followed by 20.8% in the age group of 21-30 years, 18.4% in the age group of over 51 years, and the lowest population sampled (6.4%) fell below the age of 20 years.

On educational qualifications, the majority of respondents were found to have reached the tertiary level (52.0%), indicating a significant level of educational attainment among respondents. Additionally, 18.4% had completed secondary education, 10.4% had only primary education, and 19.2% had no formal education.

Regarding annual revenue, the results show that 39.2% of respondents indicated earning between ₦301,000-₦400,000 annually, making it the highest income bracket. This was followed by 22.4% of respondents earning between ₦201,000-₦300,000 annually, 15.2% earning between ₦101,000-₦200,000 annually, 14.4% earning above ₦401,000 annually, and the lowest proportion of respondents (8.8%) earning below ₦100,000 annually.

Table 2: Operational Challenges Faced by Small and Medium Enterprises Due to Fluctuations in Fuel Prices

S/N	ITEMS	SA	A	U	D	SD	ST. D	MS	RANK
1	Increased production costs	66	26	6	15	12	1.39	3.95	1 st
2	Increase transportation expenses	42	41	10	23	9	1.30	3.67	4 th

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3	Causes uncertainty in operational budgeting	48	38	1	20	18	1.48	3.62	5 th
4	Difficulties in maintaining stable pricing for their products or services	40	47	5	23	10	1.31	3.67	4 th
5	Supply chain disruptions	58	25	7	21	14	1.46	3.73	2 nd
6	Reduce profit margins & workforce cut	36	51	2	27	9	1.29	3.62	5 th
7	Lack of customer demand	46	41	2	24	12	1.38	3.68	3 rd

Source: Field survey, 2024.

The data analysis indicates a consensus among respondents regarding the negative operational challenges of fuel price hikes on operational costs and economic viability. From Table 4.2, it is evident that majority of respondents strongly agreed that increased production costs (MS=3.95) ranked 1st, supply chain disruptions (MS=3.73) ranked 2nd, lack of customer demand (MS=3.68) ranked 3rd, difficulties in maintaining stable pricing for their products or services (MS=3.67) ranked 4th, increase transportation expenses (MS=3.67) also ranked 4th, uncertainty in operational budgeting (MS=3.62) ranked 5th, reduce profit margins & workforce cut (MS=3.62) also ranked 5th, are the operational challenges facing Small and Medium Enterprises in the study area. Small and medium enterprises in Lokoja are facing increased operational challenges, with rising fuel costs contributing significantly to operational cost.

Table 3: Economic Consequences of Fuel Price Hikes on Small and Medium Enterprises

S/N	ITEMS	SA	A	U	D	SD	ST. D	MS	RANK
1	Increased operational cost	74	29	1	16	5	1.20	4.20	1 st
2	Strain profit margins	51	35	3	24	12	1.41	3.71	3 rd
3	Challenges in budgeting & financial planning	47	42	7	13	16	1.39	3.72	2 nd
4	Hinder investment decision & ability to expand	45	33	10	21	16	1.44	3.56	4 th

Source: Field survey, 2024.

The result from Table 4.3 shows that majority of respondents strongly agreed that the economic consequences of fuel price hikes on Small and Medium Enterprises are increased operational cost (MS=4.20) ranked 1st, challenges in budgeting & financial planning (MS=3.72) ranked 2nd, strain profit margins (MS=3.71) ranked 3rd and hinder investment decision & ability to expand (MS=3.71) ranked 5th. These were the major the economic consequences of fuel price hikes on Small and Medium Enterprises in Lokoja.

Table 4: Factors Influencing Fuel Price Hike

Variables	Coefficients	Std. Error	t-ratio	p>/t/	Sign
Constant	1.205	.1640	7.35	0.000	+
Global Oil Prices	0.452	0.032	14.125	0.000***	+
Exchange Rate Fluctuations	0.218	0.046	4.739	0.000***	+
Government Subsidy Policies	-0.127	0.038	-3.342	0.002**	-
Refinery Capacity/Distribution Cost	0.075	0.028	2.679	0.008**	+
Inflationary Pressures	0.311	0.056	5.548	0.000***	+
Subsidy Fraud/Corruption	0.092	0.041	2.231	0.027*	+
R-Square	0.6729				
Adjusted R-Square	0.6685				

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F-value	1.5376				
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Source: Field survey, 2023/2024. *** significant at 1%, ** significant at 5%, * significant at 10%

The table presents the results of multivariate regression analysis aimed at determining the factors influencing fuel price hike as presented in table 4.6. The adjusted R square of 0.67; implies that 67% variation of fuel price hike is explained by the strong explanatory power of the variables (Global Oil Prices, Exchange Rate Fluctuations etc.) specified in the model. The F-value of 1.5376 is statistically significant at 1% probability level and this indicates the joint significance of the specified variables on the factors influencing fuel price hike. This suggests that the model has a good explanatory power on the variation in fuel price hike.

The coefficient of global oil prices 0.452 indicates that a one-unit increase in global oil prices leads to a 0.452-unit increase in fuel price hikes, holding other variables constant. This suggests a strong positive relationship between global oil prices and fuel price hikes. Exchange Rate Fluctuations with a coefficient of 0.218, exchange rate fluctuations also positively influence fuel price hikes. A one-unit increase in exchange rate fluctuations results in a 0.218-unit increase in fuel price hikes, all else being equal.

Furthermore, Government Subsidy Policies coefficient of -0.127 suggests a negative relationship between government subsidy policies and fuel price hikes. This indicates that stricter subsidy policies or subsidy removal may lead to lower fuel price hikes. The coefficient of Refinery Capacity/Distribution Cost 0.075 suggests a positive relationship between refinery capacity/distribution costs and fuel price hikes. This indicates that higher refinery costs or distribution expenses lead to higher fuel price hikes.

Similarly, Inflationary Pressures coefficient of 0.311 indicates a positive relationship between inflationary pressures and fuel price hikes. This suggests that higher inflation rates contribute to higher fuel price hikes. The coefficient of Subsidy Fraud/Corruption 0.092 suggests that subsidy fraud or corruption positively influences fuel price hikes. This indicates that higher levels of corruption or subsidy fraud lead to higher fuel price hikes.

CONCLUSION AND RECOMMENDATIONS

The analysis of the impact of fuel price hikes on operational costs and economic viability among Small and Medium Enterprises (SMEs) in Lokoja paints a challenging picture. The findings highlight the significant hurdles faced by businesses in the region due to rising fuel costs. Operationally, SMEs are confronted with mounting production expenses, disruptions in supply chains, decreased consumer demand, and the complexities of managing stable pricing and transportation logistics. Moreover, the unpredictability in budgeting and the need to cut profit margins or reduce workforce further exacerbate these challenges.

Economically, the effects of fuel price hikes are evident in increased operational costs, obstacles in financial planning, squeezed profit margins, and constraints on investment and expansion initiatives. However, amid these adversities, the study sheds light on the various factors influencing fuel price hikes, including global oil prices, exchange rate fluctuations, government policies, operational overheads, inflationary pressures, and corruption. Understanding these factors can inform strategies to mitigate the impact of fuel price fluctuations and support the resilience and growth of SMEs in Lokoja and similar contexts.

Moving forward, policymakers and business stakeholders need to collaborate on implementing measures to address these challenges. This may involve exploring alternative energy sources, advocating for transparent and accountable governance, fostering innovation in operational practices, and providing targeted support to SMEs to enhance their resilience in the face of volatile fuel prices. By leveraging these insights, SMEs can navigate the complexities of the fuel market and strive for sustainable growth and prosperity.

Based on the findings the following recommendation were made:

- i. Government should advocate for policies that stabilize fuel prices or provide subsidies for Small and Medium Enterprises.

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- ii. Government should provide Small and Medium Enterprises with access to financial planning and management resources to help them navigate uncertainties in budgeting and financial forecasting.
- iii. Small and Medium Enterprises owners are encouraged to continue implementing adaptive strategies, including energy-efficient technologies and diversification of energy sources.

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