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Population Perception on the Effect of Fuel Subsidy Removal on Nigeria Transportation

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ABSTRACT

This paper examines population perception on the effect of fuel subsidy removal on Nigeria transportation, 396 respondents were administered Questionnaire for data collection. Decreased usage of private vehicle, higher cost of commuting, increased public transportation, increased use of alternative modes of transportation, shift to more fuel efficient vehicles and others are the potential effects for effects of fuel subsidy removal on Nigeria transportation that are considered. On the level of awareness of fuel subsidy removal not aware, fairly aware and verily aware were the three categories considered with populace perspective on the question of in your opinion how do you think fuel subsidy removal affects Nigeria transportation. In the analysis Chi-square test was used as well as multiple chart to show awareness of fuel subsidy removal with potential effects on Nigeria transportation. Conclusion shows that the result shows that removal of fuel subsidy affects Nigeria transportation and increased use of alternative mode of transportation is the potential effect of removal of fuel subsidy on Nigeria transportation.

KEYWORDS: effect, fuel subsidy, transportation, awareness, population

1.0 Introduction

In Nigeria, the withdrawal of fuel subsidies has generated controversy and concerns in a number of economic sectors, especially when it comes to the impact on the transportation system. Nigeria has long used gasoline subsidies to lessen the financial burden on its people because the nation is mostly dependent on petroleum products for its transportation needs. The elimination of fuel subsidies, however, has broad ramifications, especially for the transportation industry, which is crucial to the socioeconomic dynamics of the nation. Ironically, Nigeria, Africa's biggest oil producer, has had difficulty offering its citizens reasonably priced and effective transportation options. Nigeria's transportation system is primarily road-based, and most of its people commute and transport goods in cars that run on gasoline and diesel. As a result, any modifications to fuel prices and supply have an immediate effect on the transportation system, affecting costs, accessibility, and mobility patterns. Due to their heavy reliance on public transit for daily activities, low-income workers are disproportionately impacted by this increase in transportation business Abaekih et al(2024). Additionally, rising gasoline prices translate into greater operating expenses for commercial vehicles, which could lower transport companies' profitability. Nigeria decided to eliminate fuel subsidies due to a number of reasons, such as the necessity to reduce government spending, economic reforms, and fiscal pressures. The post-subsidy removal scenario offers a different environment, with increased fares discouraging some commuters from using public transit (Ayinde & Olanrewaju, 2020). Similarly, the negative consequences of eliminating subsidies on passenger numbers can be lessened by implementing complementing policies like infrastructure upgrades, low-income earner fare subsidies, or incentives for environmentally friendly forms of transportation. (Olatunji, 2020).Populace preferences are shifting in favor of other forms of transportation, such tricycles and motorbikes, which are thought to be more economical and fuel-efficient alternatives in the absence of subsidized fuel, according to Owoeye & Sanusi (2020). Oni, Folarin, and Ali (2018) claim that the removal of fuel subsidies caused an instantaneous rise in transportation costs, which raised commuter rates and transport operators' operating costs.

Removing subsidies has an effect outside of the midstream industry. As a vital component of the chain, transportation industries will probably see a large increase in operating expenses as a result of rising fuel prices. Alli et al (2024)

Fuel is one of the main elements influencing transportation rates and expenses in Nigeria. Fuel is essential for the production of goods and services in every area of the economy, hence nations must subsidize and guarantee that their population have access to it, which is of national importance, according to Innocent, Ogbu, and Job (2015). According to Onyishi, Eme, and Emeh (2012), the government subsidizes fuel in order to alleviate market failure, namely poverty, particularly in emerging nations where subsidies are provided to enable the impoverished to engage in economic activity.

There are essentially two groups of people opposed to the elimination of the PMS subsidy in Nigeria. Members of various Civil Society Organizations (CSO) and the Nigeria Labour Congress (NLC) come first. The government shouldn't "be talking about subsidy for a product that is naturally and thoroughly well-endowed in the country," according to the NLC's long-standing stance (Nwafor, 2023).

In this paper, population perception was examined on the potential effects of fuel subsidy removal on Nigeria transportation.

Aim and Objectives

The aim of this study is to examine population perception on the effect of fuel subsidy removal

Objective to examine the effect of fuel subsidy removal on the Nigeria transportation

2.0 Material and method

- Chi Square test was used for the analysis to determine if fuel subsidy removal affects transportation

Test Statistics

$$\chi^2 = \sum\sum \frac{(o_{ij} - e_{ij})^2}{e_{ij}}$$

Hypothesis statements

H_0: Removal of fuel subsidy does not affect transportation.

H_1: Removal of fuel subsidy affects transportation

.Table 1: In your opinion how do you think fuel subsidy removal affects Nigeria transportation?

Are you aware of the removal of subsidy	Decreased Usage of Private	Higher cost of commuting transportation	Increased public transportation	Increased use of alternative modes of	Shift to more fuel efficient vehicles	Others	Total	Percentage %
Not Aware	7	10	9	8	9	3	46	11.6
Fairly Aware	5	29	16	21	18	0	89	22.5
Verily Aware	36	49	65	72	39	0	261	65.9

Table 1.1: Chi-square Result

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	38.2079[a]	2	0.001

Level of Significance $\alpha = 0.05$

Decision Rule**:** Reject H_0 if P-value < α-value, otherwise do not reject.

Since p-value < α-value = 0.001 < 0.05), we reject H_0

Conclusion is that removal of fuel subsidy affects transportation

Table 2: Populace Perception Percentage on the Potential Effects of Removal of Fuel Subsidy on Nigeria Transportation

Populace Status

Potential Effects	Verily Aware	Percentage %	Fairly Aware	Percentage %	Not Aware	Percentage %
Decreased usage of Private vehicle	36	13.8	5	5.6	7	15.2
High cost of Commuting	49	18.8	29	32.6	10	21.7
Increased Public Transportation	65	24.9	16	18	9	19.6
Increased use of alternative modes of transportation	72	27.6	21	23.6	8	17.4

Shift to more fuel efficient vehicles	39	14.9	18	20.2	9	19.6
Others	0	0	0	0	3	6.5

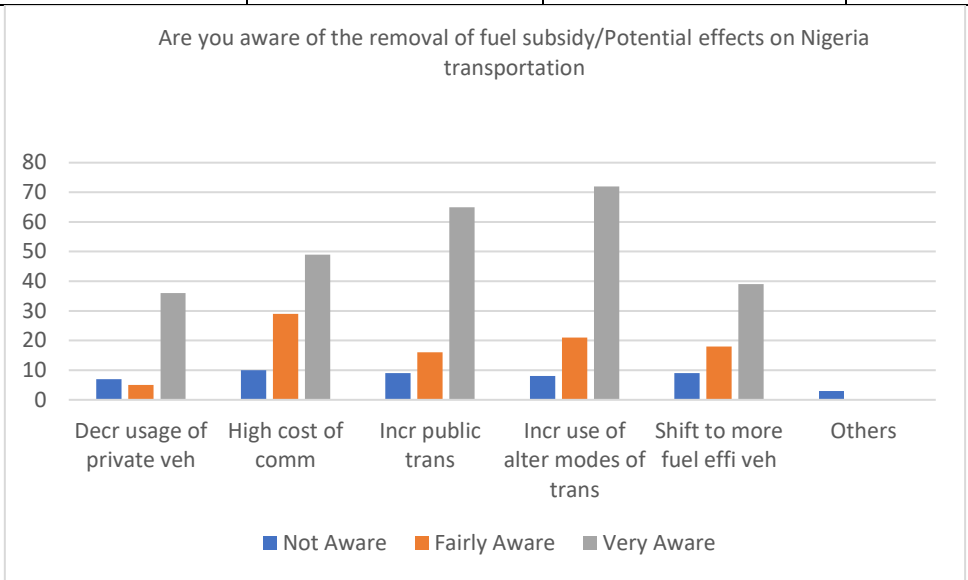

Figure 1: A multiple chart shown awareness of fuel subsidy removal with potential effects on Nigeria transporttion

3.0 Discussion and Results

According to the aforementioned, of the 396 respondents, 65.9% (261), 22.5% (89), and 11.6% (46) of the population were verily aware, fairly aware, and not aware of the removal of fuel subsidy, respectively. According to the results of the chi-square analysis, the null hypothesis H_0 was rejected since the p-value (0.001) was less than the level of significant value (0.05).

Table 2, which indicates the population's status of verily aware reveals that out of the 261 respondents, 13.8% (36), 18.8% (49), and 24.9% (65), 27.6% (72) and 14.9% (39) believe that the decreased usage of private vehicles, the high cost of commuting, and the increased of public transportation, increased use of alternative mode of transportation and shift to more fuel-efficient are the possible potential effects vehicle respectively

Also, it is discovered from the multiple bar chart that increased use of alternative mode of transportation and the decreased usage of private vehicles are the highest and lowest potential effects of fuel subsidy removal that affects Nigeria transportation.

4. Conclusion

It is concluded that removal of fuel subsidy affects Nigeria transportation and increased use of alternative mode of transportation is the highest potential effect out of all effects that removal of fuel subsidy posed.

Compliance with ethical standards

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Disclosure of conflict of interest

The authors declare that they have no known competing financial interest or personal relationship that could have appeared to influence the work reported in this paper

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