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FISCAL POLICY AND ALTERNATIVES TO SUBSIDY REMOVAL IN NIGERIA

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Abstract

This study examined the ramifications of fiscal policy and alternatives to subsidy removal in Nigeria, emphasizing public perceptions, socio-economic impacts, and feasible alternatives. Employing a descriptive survey research design, data were gathered from 400 respondents representing diverse demographics to assess sentiments regarding the removal of gasoline subsidies. The study indicated a notable disparity in public sentiment, with numerous individuals voicing apprehensions regarding rising living expenses and the possible intensification of poverty rates. Respondents expressed a preference for targeted subsidies and renewable energy options as viable alternatives to the current subsidy system. Statistical investigations, such as chi-square tests, revealed the correlation between demographic characteristics and opinions towards subsidy policies, emphasizing the necessity for a nuanced approach to fiscal reforms. The results underscored the significance of instituting tailored subsidies to mitigate the effects on at-risk communities and the imperative of improving public understanding about the consequences of subsidy removal. The research advocates for investment in renewable energy infrastructure to diversify the economy and diminish reliance on fossil fuels. The findings emphasize that for successful subsidy reform, the government must implement policies that prioritize social equality and ensure economic sustainability. The study advocates for proactive stakeholder involvement in policymaking to promote inclusive and informed decision-making processes. Furthermore, it promotes ongoing assessment and evaluation of policy effects to modify methods as required. Future research should focus on investigating the long-term socio-economic impacts of subsidy elimination on particular demographics and analyzing international best practices in subsidy reform. This study's consequences are significant for policymakers, emphasizing the essential equilibrium between fiscal efficiency and social responsibility. The research enhances the conversation on economic reform in Nigeria by offering actionable insights that can guide future fiscal policies and improve public welfare.

Keywords: Fiscal Policy, Alternatives, Subsidy Removal, Nigeria.

Introduction

Fiscal policy is crucial in influencing a nation's economy, and in Nigeria, it serves as a vital instrument for rectifying macroeconomic disparities, enhancing growth, and alleviating poverty. Fiscal policy, encompassing the government's use of revenue and expenditure to affect economic

activity, has undergone considerable evolution in Nigeria in recent decades, especially with subsidy management. Subsidies, chiefly on petroleum goods, have been a fundamental aspect of Nigeria's fiscal policy, intended to alleviate the cost of living for individuals and shield sectors from fluctuating global market prices. The sustainability and efficacy of these subsidies have been challenged, prompting a public discourse on alternatives to their elimination.

Nigeria's economic policy has long been marked by substantial subsidies for petroleum products, a practice initiated in the 1970s after the oil boom. The government subsidises petroleum product costs to enhance public affordability; yet, this strategy has resulted in a considerable depletion of public finances (Amaghionyeodiwe, 2015). Ajakaiye and Fakiyesi (2016) estimated that gasoline subsidies consume almost 30% of the Nigerian government's annual budget, exacerbating budget deficits and public debt. Moreover, the subsidy system has engendered inefficiency, smuggling, and corruption, as subsidised fuel is frequently marketed at elevated rates in adjacent nations.

In 2012, the Nigerian government sought to eliminate fuel subsidies, contending that the fiscal burden was untenable and that the resources given for subsidies should be more effectively directed towards infrastructure, healthcare, and education (Adedokun, 2017). This action provoked extensive public uproar and was largely rescinded. The failure to fully eradicate fuel subsidies highlights the intricate interplay of fiscal policy, social welfare, and political stability in Nigeria (Adeniyi, et al., 2019).

Fiscal policy, as indicated by Ezeabasili, et al., (2020), entails a careful equilibrium between fostering economic growth and safeguarding social welfare. Although the elimination of subsidies seems to be a simple remedy for fiscal difficulties, it entails significant social and economic repercussions, especially for the most impoverished households. The elimination of subsidies without suitable compensatory measures, such as social safety nets, may result in elevated transit expenses, inflation, and an increased cost of living (Nwosu, et al., 2018).

In light of these issues, it is essential to investigate alternatives to subsidy elimination that can fulfil the dual aims of fiscal sustainability and social equality. A potential solution is the establishment of a tailored subsidy scheme. The government should concentrate subsidies on industries or populations most susceptible to price escalations, rather than indiscriminately subsidising all petroleum goods. This strategy, endorsed by Ogbuabor, et al., (2022), would alleviate the economic burden while safeguarding the most disadvantaged from the negative impacts of increased fuel costs.

Another option is the diversification of Nigeria's energy resources. Nigeria's economy is significantly reliant on petroleum, rendering it susceptible to variations in global oil prices. Investing in renewable energy sources, such as solar and wind, enables the government to diminish dependence on petroleum and decrease the necessity for fuel subsidies (Akinlo, et al., 2021). Moreover,

investment in renewable energy has the potential to generate employment and foster economic expansion, offering a sustainable remedy to the financial burdens imposed by fuel subsidies.

Another option is the modification of Nigeria's taxation system to improve revenue generation. Nigeria possesses one of the lowest tax-to-GDP ratios globally, constraining the government's capacity to finance public services without resorting to borrowing or reducing subsidies. Tax reform, which encompasses the expansion of the tax base and enhancement of tax compliance, has the potential to augment government revenues and diminish the necessity for subsidies (Oseni, et al., 2017). The implementation of a carbon price might generate money and promote a transition from fossil fuel usage, hence enhancing environmental sustainability (Audu, et al., 2020).

Enhancing the efficiency of public expenditure may offer an alternative to the removal of subsidies. Okonjo-Iweala (2021) asserts that inefficiency and corruption in public fund management are major factors contributing to Nigeria's budgetary difficulties. By improving openness and accountability in governmental expenditures, the administration may allocate resources for social investment, thereby diminishing the necessity for subsidies to alleviate the effects of escalating fuel prices.

The withdrawal of subsidies is a sensitive subject in Nigeria; however, there are feasible alternatives that can mitigate budgetary challenges without worsening poverty and inequality. These possibilities encompass targeted subsidies, energy diversification, tax reform, and enhanced public expenditure efficiency. As Nigeria confronts fiscal sustainability, it is imperative for policymakers to meticulously evaluate these possibilities to guarantee that economic growth is both equitable and sustainable.

The abolition of gasoline subsidies in Nigeria has been a contentious issue, considering the nation's reliance on petroleum products for energy and the broader economic ramifications of such a removal. The current subsidy system, while designed to alleviate the expenses of petroleum products, has become economically unviable, leading to fiscal imbalances and budgetary shortfalls. Moreover, the subsidy system has been compromised by corruption, inefficiency, and smuggling, diminishing its efficacy as a social welfare instrument.

Notwithstanding these hurdles, efforts to eliminate subsidies have frequently encountered public opposition, exemplified by the protests that ensued after the government's partial withdrawal of fuel subsidies in 2012. The opposition to subsidy removal is based on apprehensions of its adverse effects on living expenses, especially for economically disadvantaged families. Elevated gasoline prices augment transportation expenses, thereby escalating the cost of products and services, resulting in inflation. Moreover, there are apprehensions over the lack of sufficient social safety nets to mitigate the effects of subsidy removal.

In light of Nigeria's economic challenges, it is essential to investigate alternatives to subsidy removal that can reconcile fiscal sustainability with social welfare goals. This paper aims to analyze fiscal policy options to subsidy removal in Nigeria, concentrating on targeted subsidies, energy diversification, tax reforms, and the efficiency of governmental expenditure.

Based on the aims of the study, the following research hypothesis were formulated for the study are;

- **i.** Fuel subsidies have no negative impact on Nigeria's fiscal sustainability.
- **ii.** There are no viable alternative fiscal policies that can replace the current subsidy regime in Nigeria.
- **iii.** Subsidy removal has no significant negative impact on low-income households in Nigeria.
- **iv.** Targeted subsidies are not feasible alternative to across-the-board fuel subsidies.
- **v.** Renewable energy cannot provide a long-term solution to Nigeria's fiscal and energy challenges.

Conceptual Framework

Fiscal policy denotes the strategic use of government spending, taxing, and borrowing to influence a nation's economic activity, aiming to attain macroeconomic objectives such as full employment, price stability, and output growth (Adeniyi, et al., 2020). Fiscal policy denotes the government's employment of taxation and expenditure techniques to affect macroeconomic and general economic conditions. The elements included are employment, inflation, economic growth, and aggregate demand for goods and services, among others (Yunana, 2024).

Subsidies are financial interventions in which governments reduce the price consumers pay for particular goods or services or increase the revenue earned by producers. Consumer subsidies lower the prices of items for consumers, frequently focusing on critical commodities like fuel and food. In Nigeria, consumer subsidies are widespread, especially in the petroleum industry, where they serve to keep fuel costs below market rates (Ogwuche, et al., 2024). Production subsidies are predominantly found in developed nations, aiding producers in cost reduction or output enhancement, particularly in agriculture and manufacturing (Ozili, 2023).

Subsidies aim to alleviate the financial burden on consumers, especially in low-income households, thus enhancing social welfare (Ogwuche et al., 2024). Historically, gasoline subsidies in Nigeria have been employed to stabilize fuel prices, assuring affordability for the population (Ozili, 2023). Subsidies seek to rectify market inefficiencies, including underproduction in essential areas or to bolster industries vital for economic stability (Ogwuche, et al., 2024). Subsidies can stimulate consumption and investment by lowering prices for consumers and producers, hence fostering economic growth (Ogwuche et al., 2024).

Alternatives to Subsidy Removal

Direct Cash Transfers

A frequently suggested alternative to fuel subsidies is the establishment of direct cash payments to households. The principle of direct cash transfers is that, rather than subsidising fuel prices—which typically advantages affluent individuals who consume more—governments allocate cash payments directly to low-income households. This method is deemed more egalitarian since it directs assistance to those in most need, hence ensuring efficient resource allocation (Ogbuagu & Okoronkwo, 2021). In Nigeria, direct cash transfers could be structured to offset the increased cost of living that may result from the elimination of subsidies, especially concerning gasoline and transportation expenses.

Empirical research on cash transfers indicates that these programs can substantially enhance poverty alleviation and household expenditure. Studies from countries like Brazil and Mexico indicate that effectively targeted cash transfer programs can enhance welfare, boost school enrolment, and improve health outcomes (Akinola, 2019). The Nigerian government may replicate these gains by efficiently implementing a cash transfer scheme to mitigate the effects of subsidy elimination.

Direct cash transfers provide households with flexibility, enabling them to spend resources according to their specific requirements, such as food, education, or healthcare. One issue of implementing such programs in Nigeria is ensuring that cash transfers reach the intended beneficiaries without diversion by corrupt middlemen (Babalola & Aminu, 2020). An effective cash transfer program necessitates proficient administrative capabilities, strong targeting systems, and transparency to reduce leakages and misallocation of resources.

Furthermore, direct cash transfers should be regarded as a temporary alleviation strategy rather than a sustainable resolution. Although they may provide temporary relief to economically disadvantaged groups, they fail to tackle the underlying structural inefficiencies that require subsidy reform initially. Consequently, direct cash transfers must be supplemented by comprehensive fiscal and economic changes designed to foster sustainable economic growth (Adelowo, 2018).

Infrastructure Investment (Roads, Power, etc)

An alternative to fuel subsidies is to allocate the money from their elimination towards essential infrastructure improvements. Infrastructure development, especially in transport and energy, is frequently identified as a crucial catalyst for economic growth and poverty alleviation in emerging nations (Ogunlana, 2020). In Nigeria, investment in roads, power, and other public infrastructure might lower business costs, enhance productivity, and promote economic diversification, all of which are vital for sustainable development.

A primary rationale for infrastructure investment as a substitute for subsidies is its multiplier effect on the economy. Enhanced infrastructure diminishes transportation and logistics expenses, rendering goods and services more economical and accessible. Improved roads can reduce transportation costs for agricultural products from rural regions to urban markets, resulting in decreased food prices and enhanced income for farmers (Onyekwena & Ekeruche, 2020). Investment in the electricity industry can similarly diminish dependence on costly and inefficient private generators, hence reducing energy expenses for enterprises and households. Investing in infrastructure has the ability to generate employment, both immediately through construction initiatives and subsequently through enhanced economic activity. Infrastructure development can significantly benefit places historically neglected by government investment, such as northern Nigeria, which has fallen behind in economic development and job creation (Iwayemi, 2020).

Successful infrastructure investment involves meticulous planning and administration to prevent cost overruns, corruption, and inefficiencies. Nigeria has a history of infrastructure projects being impeded or forsaken owing to mismanagement and insufficient political resolve. Consequently, to establish infrastructure investment as a feasible alternative to subsidies, the government must emphasise openness, accountability, and effective project implementation (Adenikinju & Falobi, 2019).

Market-Based Reforms

Market-oriented changes, including the liberalization of the downstream petroleum sector, represent an alternative to subsidies. The concept of market-based reforms is to let market forces to establish fuel prices, rather than permitting the government to impose artificially low prices via subsidies. Advocates of market-based reforms contend that this strategy would facilitate a more effective distribution of resources, draw investment into the energy sector, and foster competition, perhaps resulting in reduced costs and enhanced service quality (Ogbuagu & Okoronkwo, 2021).

The deregulation of the gasoline market in Nigeria may encourage private enterprises to invest in refining capabilities, thereby diminishing the nation's reliance on imported refined fuel. This will resolve a significant structural issue in Nigeria’s energy sector—its insufficient domestic refining capacity, which compels the nation to import a substantial proportion of its refined petroleum products despite being one of the greatest oil producers globally (Iwayemi, 2020). Market-based changes might diminish the nation's dependence on imports, stabilise fuel prices, and enhance energy security by promoting private investment in refining and distribution facilities.

Market-based reforms may enhance the fiscal sustainability of the Nigerian government by alleviating the financial burden of subsidies. The government might redirect money from fuel subsidies to more productive sectors of the economy, like healthcare, education, and infrastructure

development, without necessitating substantial allocations from the national budget (Adelowo, 2018). Deregulation must be complemented by robust regulatory control to avert monopolistic activities and safeguard consumers from exploitation by private enterprises.

Opponents of market-based reforms frequently express apprehensions regarding their effects on at-risk communities, who may find it challenging to manage increased fuel costs without subsidies. Consequently, market-oriented reforms should be executed in conjunction with social safety nets and additional strategies to safeguard low-income households from the possible adverse effects of deregulation (Onyekwena & Ekeruche, 2020).

Social Safety Nets and Compensation Mechanisms

Social safety nets and compensation procedures are essential elements of any effort to eliminate fuel subsidies in Nigeria. These programs aim to alleviate the adverse impacts of subsidy elimination on at-risk populations by offering focused assistance to those most impacted by increased fuel and transportation expenses. Social safety nets may manifest in diverse formats, including conditional cash transfers, food assistance initiatives, and subsidies for vital services like as healthcare and education (Babalola & Aminu, 2020).

One of the primary advantages of social safety nets is their superior targeting compared to universal fuel subsidies, which often disproportionately advantage affluent individuals and enterprises. By concentrating on the most susceptible sectors of the population, social safety nets can mitigate poverty and inequality while fostering social stability (Akinola, 2019). In Nigeria, social safety net initiatives like the National Social Investment Program (NSIP) have been established to assist low-income households, and these initiatives should be augmented to mitigate the effects of subsidy elimination.

The efficacy of social safety nets hinges on the government's capacity to proficiently manage these programs and guarantee that they reach the designated users. Corruption, inefficiency, and inadequate targeting have traditionally compromised the efficacy of social safety net programs in Nigeria, raising concerns over their viability as substitutes for subsidies (Adelowo, 2018). The government must spend in enhancing the administrative capability of its social welfare programs and in monitoring and evaluation systems to ensure efficient resource utilization.

Renewable Energy Subsidies as an Alternative

As the global energy landscape transitions to renewable energy, some analysts contend that subsidies ought to be reallocated from fossil fuels to renewable energy sources. Subsidies for renewable energy can facilitate the adoption of cleaner, sustainable energy technology, diminish Nigeria's reliance on imported fuels, and aid the nation's initiatives to address climate change (Onyekwena & Ekeruche, 2020). In this sense, renewable energy subsidies may be regarded as a

sustainable alternative to petroleum subsidies, offering a more environmentally responsible energy strategy.

Nigeria possesses considerable potential for the advancement of renewable energy, especially in solar, wind, and hydropower sectors. The government could reduce the cost of renewable energy technologies by offering subsidies, so enhancing accessibility for individuals and enterprises. This would not only diminish the nation's dependence on fossil fuels but also mitigate energy poverty, especially in rural regions with restricted access to electricity (Ogbuagu & Okoronkwo, 2021).

Subsidies for renewable energy may support the development of a domestic renewable energy sector, generating employment and fostering economic diversification. Moreover, renewable energy subsidies would correspond with Nigeria's obligations under the Paris Agreement to diminish greenhouse gas emissions and shift towards a low-carbon economy (Iwayemi, 2020). Successful implementation of renewable energy subsidies necessitates a cohesive policy framework, robust regulatory monitoring, and a dedication to long-term investment in renewable energy infrastructure. The government must confront the issues of financing and technological capacity to establish renewable energy as a viable alternative to fossil fuels (Adelowo, 2018).

Keynesian Economics Theory

Keynesian economics, developed by John Maynard Keynes in the 1930s, underscores the importance of government involvement in stabilizing economic volatility (Keynes, 1936). This hypothesis emerged during the Great Depression when conventional economic theories were inadequate in elucidating persistent unemployment and slow economic activity. Keynes posited that aggregate demand—the overall demand for goods and services in an economy—was the principal catalyst of economic activity. Keynesian economics posits that during economic downturns, diminished consumer spending causes a decline in firm revenues, subsequently leading to layoffs and decreased investment (Samuelson & Nordhaus, 2010). A fundamental premise of this theory is that prices and wages are not consistently flexible, indicating that the economy may endure extended durations of unemployment (Stiglitz, 2017). Consequently, Keynes endorsed active fiscal policy to promote demand via heightened government expenditure and reduced taxation during recessions, thereby promoting economic recovery (Gali, 2015). This perspective is endorsed by numerous experts who have examined the applicability of Keynesian concepts in modern economies. Mankiw (2018) emphasises that Keynesian economics is crucial for elucidating fiscal stimulus strategies during economic downturns. Furthermore, Blinder (2020) posits that governmental interventions can successfully alleviate the effects of recessions, corroborating Keynes's claim that the government should intervene when private sector demand is inadequate. Koo (2020) observes that during the 2008 financial crises, Keynesian economic ideas were essential in rationalising extensive fiscal stimulus in

several economies. Keynesian economics is particularly pertinent in Nigeria due to the nation's dependence on oil earnings and the fluctuations in global oil prices that can trigger economic recessions. This theory's implementation is seen in Nigeria's fiscal policy, particularly during economic downturns, when the government frequently increases public expenditure to boost growth (Ogunlana, 2020). Moreover, the theory endorses the need for alternatives to subsidy elimination, indicating that fiscal measures might mitigate the economic repercussions of subsidy reforms, particularly for at-risk populations. The focus on governmental intervention highlights the significance of strategic fiscal policy in tackling socioeconomic issues, rendering Keynesian economics an essential framework for comprehending fiscal policy dynamics in Nigeria.

Public Choice Theory

Public Choice Theory, initiated by economists James M. Buchanan and Gordon Tullock in their foundational text "The Calculus of Consent" (1962), use economic principles to **analyze** political decision-making, emphasizing the impact of self-interested behaviour on public policy and governance. This theory posits that politicians and bureaucrats are driven by personal motivations, potentially resulting in decisions that diverge from the public interest (Buchanan, 2019). A fundamental premise of Public Choice Theory posits that persons in the public sector operate based on self-interest, akin to their counterparts in the private sector, hence challenging the concept of altruism in public service (Tullock, 2004). Researchers like Congleton (2016) and Lee & McKenzie (2018) have highlighted the ramifications of this theory for comprehending governmental failure and the inefficiencies that may result from inadequately formulated public policy. Congleton (2016) contends that public choice dynamics may result in the excessive allocation of subsidies, as political actors yield to the influences of special interest groups instead of considering the wider economic landscape. This viewpoint is especially pertinent in Nigeria, where subsidy schemes have frequently been exploited for political gain, leading to extensive inefficiencies and corruption (Ogbuagu & Okoronkwo, 2021). Public Choice Theory's significance to fiscal policy and alternatives to subsidy elimination in Nigeria is its ability to elucidate the difficulties of executing efficient fiscal policies in the face of conflicting political interests. The elimination of gasoline subsidies, although economically rational, may provoke political controversy due to possible backlash from impacted constituents (Adenikinju & Falobi, 2019). Public Choice Theory offers a framework for examining the resistance to subsidy reforms and the likelihood of public opposition stemming from the vested interests of many stakeholders. Moreover, the implementation of this theory is apparent in how policymakers manoeuvre through the intricate political terrain associated with subsidy elimination, frequently necessitating talks and concessions to reconcile diverse interests (Iwayemi, 2020). Public Choice Theory emphasises the importance of formulating fiscal policies that consider political

realities, ensuring that economic reforms, like subsidy elimination, are supported by thorough methods that address the concerns of impacted communities.

Cost-Benefit Analysis (CBA)

Cost-Benefit Analysis (CBA), created by economists like Arthur Pigou in the 1920s, is a methodical framework for assessing the economic effectiveness of projects and policies through the comparison of their costs and benefits (Pigou, 1932). The core tenet of Cost-Benefit Analysis (CBA) is that a project or policy should be pursued if its total benefits surpass its entire costs, thus facilitating optimal resource allocation (Boardman, et al., 2018). A fundamental premise of Cost-Benefit Analysis (CBA) is that all costs and benefits can be quantified and monetized, facilitating a thorough comparison of various policy alternatives (Mishan & Quah, 2017). Researchers have persistently enhanced the utilization of Cost-Benefit Analysis (CBA) in public policy evaluation, recognizing its significance across multiple domains, such as environmental economics, health policy, and social initiatives. Gertner and Gertner (2020) emphasize the significance of CBA in rationalizing extensive infrastructure initiatives, whereas Hwang, et al., (2021) examine its use in assessing public health interventions. Within the framework of fiscal policy and alternatives to subsidy elimination in Nigeria, cost-benefit analysis (CBA) functions as an essential instrument for evaluating the economic consequences of subsidy reforms. Cost-benefit analysis (CBA) offers a methodology for evaluating the possible advantages of eliminating subsidies, including diminished budgetary pressures and enhanced market efficiency, so allowing policymakers to make evidence-based decisions (Ogunlana, 2020). Moreover, CBA can enable the investigation of alternate techniques, such as direct cash transfers or targeted investments, which may offer a more efficacious method of mitigating the economic repercussions of subsidy elimination on at-risk populations. The significance of CBA in this context is its ability to clarify the trade-offs inherent in various fiscal policy alternatives, so facilitating resource allocation that coincides with the maximization of societal welfare. Furthermore, its implementation can enhance openness and accountability in the policymaking process, since it requires meticulous evaluation of both immediate and enduring effects of budgetary choices (Ogbuagu & Okoronkwo, 2021). As Nigeria navigates the intricacies of subsidy changes, integrating cost-benefit analysis into the fiscal policy framework can augment the efficacy and credibility of economic policies, thereby fostering sustainable development.

Empirical Review

The research conducted by Okeke and Akinwunmi (2021) examined the fiscal policy ramifications of subsidy elimination on public welfare in Nigeria. The researchers utilized a mixed-method approach in Enugu, surveying 250 families. Their data indicated that the elimination of subsidies disproportionately impacted low-income households, intensifying poverty levels. The

authors determined that insufficient fiscal policy frameworks could exacerbate the adverse socio-economic effects of subsidy elimination, hence jeopardizing public welfare. Nwankwo and Adebayo (2020) examined public opinion and the socio-economic ramifications of fiscal policy alterations concerning subsidy removal in Nigeria, with particular emphasis on the social effects of such removal. The research, carried out in Abuja, using qualitative approaches via interviews with 150 participants. Research revealed extensive public dissatisfaction with the elimination of subsidies, with numerous individuals voicing apprehensions about escalating living expenses. The authors determined that efficient communication tactics are essential for enhancing public comprehension of fiscal policy alterations.

The research conducted by Salami and Igbinovia (2024) examined the socio-economic consequences of subsidy elimination in Nigeria and its ramifications for the wider African setting. This study included a cross-sectional survey including 300 families from five African nations. The findings indicated that the elimination of subsidies disproportionately impacted rural populations, exacerbating poverty levels. The authors determined that, in the absence of extensive budgetary reforms, the elimination of subsidies could worsen prevailing inequities. A notable study by Moyo and Mhlanga (2022) investigated the impact of fiscal policy on the attainment of Sustainable Development Goals (SDGs) in Southern Africa, with a specific focus on subsidy changes. This study employed a case study methodology, concentrating on Zimbabwe and Namibia. Results demonstrated that synchronizing fiscal policies with Sustainable Development Goals following subsidy elimination could promote sustainable economic growth. The authors determined that incorporating sustainability into financial frameworks is crucial for sustainable development. Hailu and Kassa (2020) conducted an assessment of the obstacles and opportunities associated with fiscal policy reforms in East African countries, including Ethiopia and Kenya. The research utilized a qualitative approach, conducting interviews with 100 government officials and civil society leaders. The results indicated that, notwithstanding the prospective advantages of subsidy elimination, political resistance and popular dissent constituted substantial obstacles to transformation. The authors determined that achieving consensus among stakeholders is essential for effective policy implementation.

Furthermore, the study conducted by Furlong, et al., (2023) examined the fiscal policy responses to the elimination of subsidies in Southeast Asian nations, including Indonesia and the Philippines. This research employed econometric modelling to evaluate the economic effects of subsidy reforms on budgetary sustainability. Research indicated that efficient fiscal policies, such as direct cash transfers, markedly mitigated the adverse effects of subsidy elimination on low-income households. The authors determined that effectively structured fiscal measures could improve social justice. The research conducted by Wang and Yao (2022) investigated the influence of fiscal policy

on fostering sustainable economic growth subsequent to subsidy changes in China. The study utilised a mixed-methods approach, examining economic data in conjunction with stakeholder interviews. Research indicated that incorporating sustainability concepts into fiscal frameworks following subsidy elimination could promote enduring economic stability. The authors determined that comprehensive fiscal policies emphasizing environmental sustainability are essential for sustainable growth. A comparative study conducted by Bazzoli, et al., (2021) examined the withdrawal of subsidies throughout Latin America, specifically in Brazil and Argentina. The objectives encompassed assessing the economic ramifications of fiscal policy subsequent to subsidy reforms. The researchers employed a case study methodology, incorporating interviews with policymakers and the examination of economic statistics. Research demonstrated that focused social safety nets and investment in public services alleviated the negative impacts of subsidy elimination. The authors determined that tailoring fiscal policies to local requirements is crucial for effective reforms.

Research Methodology

Research Design

The research design delineates the structure for data collection, measurement, and analysis. This study employs a descriptive survey research design, which is appropriate for the quantitative research methodology. A descriptive survey entails gathering data from a sample of respondents to delineate, elucidate, and analyze existing situations or relationships. The design is suitable for this research as it enables the researcher to acquire a comprehensive understanding of respondents' perspectives on fiscal policies, gasoline subsidies, and alternatives to subsidy elimination.

A cross-sectional survey was conducted, collecting data at a singular moment from respondents across diverse demographic groupings. This is beneficial as it facilitates the acquisition of substantial data within a constrained timeframe. The design's descriptive characteristics facilitate the meaningful summarization of data, allowing the researcher to analyze trends and patterns within the sample population.

The survey approach is optimal for this study as it facilitates the analysis of the effects of the current fuel subsidy regime on the Nigerian economy and the public's perception of alternative policies. The utilization of a questionnaire featuring closed-ended questions guarantees measurable replies, hence facilitating the application of statistical methods such as frequency distribution, mean, standard deviation, and chi-square tests for result analysis and hypothesis testing.

Establishing the sample size is a crucial component of research technique, since it influences the reliability and validity of the study's results. A sample size must be sufficiently large to accurately represent the population and for the generalization of results. The sample size for this investigation was calculated using a statistical procedure intended for a large population:

$$n = \frac{N}{1 + N(e)^2}$$

Where:

n = required sample size

N = population size

e = margin of error (typically 5%)

With a population of approximately 200 million in Nigeria, a confidence level of 95%, and a margin of error of 5%, the method yields a sample size of roughly 400 respondents. This sample size is adequate to encompass a wide array of perspectives while remaining feasible for data gathering and analysis. This sample size facilitates precision in the analysis, guaranteeing that the findings are statistically significant.

The sample was divided across diverse demographic characteristics, including gender, income level, education, and occupation, to ensure representativeness. Furthermore, geographic variety was taken into account to address differences in experiences between urban and rural residents. This enables the researcher to examine the varying effects of fiscal policies and alternatives to subsidy elimination on specific demographic groups.

Method of Data Analysis

The data obtained from the questionnaires were analyzed with quantitative statistical techniques. The initial phase of the study involved data cleansing, during which incomplete or erroneous replies were eliminated to guarantee the precision of the outcomes. Descriptive statistics, including frequencies, percentages, and mean scores, were employed to summarize and delineate the data, specifically the demographic attributes of the respondents and their overall attitudes towards the research issues.

The replies to the Likert scale questions were examined using inferential statistics to evaluate the research hypotheses. A chi-square test was utilized to ascertain whether statistically significant associations existed between the respondents' demographic features and their perceptions of subsidy elimination, fiscal measures, and alternatives such as renewable energy. The chi-square test was employed to assess significant variations in opinion among various demographic groupings.

Data Analysis

Demographic Information of Respondents

Table 1: Demographic Information of Respondents

Demographic Variable	Frequency (n = 400)	Percentage (%)
Gender		
Male	240	60%
Female	160	40%
Age		
18-24	100	25%
25-34	150	37.5%
35-44	80	20%
45-54	50	12.5%
55 and above	20	5%
Educational Level		
Primary School	10	2.5%
Secondary School	90	22.5%
Bachelor's Degree	180	45%
Master's Degree	80	20%
PhD	30	7.5%
Employment Status		
Employed	200	50%
Self-employed	120	30%
Unemployed	40	10%
Student	30	7.5%
Retired	10	2.5%
Income Level (monthly)		
Less than ₦50,000	100	25%
₦50,000-₦100,000	120	30%
₦100,001-₦200,000	90	22.5%
₦200,001-₦500,000	60	15%
More than ₦500,000	30	7.5%

Source: Field Survey, 2024

The proportion of male respondents in the population was much higher than that of female respondents. This indicates that there are a higher proportion of males compared to females. The data, however, indicates that students between the ages of 25 to 34 years were more prevalent. Nevertheless, it is important to note that the other age groups also come within the category of youth, which is the target population for this research. The information presented in the above table clearly indicates that most of the participants had completed Bachelor's Degree. This implies that Bachelor's Degree holders were actively involved in this research.

It can be inferred that a substantial portion of the participants are employed. The demographic analysis indicates that 60% of participants were male and 40% were female. The majority of respondents was aged 25 to 34 years (37.5%) and has a bachelor's degree (45%). Fifty percent of the

respondents were employed, whereas thirty percent were self-employed, reflecting a diverse range of economic engagement. The monthly income distribution indicates that a majority of respondents (55%) earned less ₦100,000, mirroring the socio-economic conditions in Nigeria. These demographics establish the basis for examining perceptions on subsidy elimination and alternatives.

Analysis of Research Questions

Research Question 1: What is the impact of fuel subsidies on Nigeria's fiscal sustainability?

Table 4.2: Impact of Fuel Subsidies on Fiscal Sustainability

Statement	Strongly Agree (%)	Agree (%)	Disagree (%)	Strongly Disagree (%)
1. Fuel subsidies place a strain on public finances	45%	35%	10%	10%
2. Subsidies contribute to budget deficits	40%	38%	12%	10%
3. Spending on subsidies limits investment in key sectors	48%	30%	15%	7%
4. Subsidies make the economy vulnerable to oil price fluctuations	50%	25%	15%	10%
5. Reducing subsidies can improve fiscal sustainability	55%	30%	10%	5%

Source: Field Survey, 2024

A significant proportion of respondents either strongly agreed (45%) or agreed (35%) that gasoline subsidies exert pressure on governmental finances. This corresponds with the dominant perspective that subsidies misallocate resources from essential sectors like education and healthcare. A significant percentage (48%) concurred that subsidies impede investments in these industries, hence strengthening the concept of budgetary strain. Seventy percent collectively assert that subsidies render Nigeria's economy more susceptible to variations in global oil prices. The findings substantiate that fuel subsidies are perceived as fiscally unsustainable, providing evidence from public opinion to address the research topic.

Research Question 2: What alternative fiscal policies can replace the current subsidy regime in Nigeria?

Table 4.3: Alternative Fiscal Policies to Fuel Subsidies

Statement	Strongly Agree (%)	Agree (%)	Disagree (%)	Strongly Disagree (%)
1. Targeted subsidies are a viable alternative	40%	35%	15%	10%
2. Investment in renewable energy can reduce reliance on subsidies	50%	30%	10%	10%
3. Improving public spending efficiency can reduce subsidy needs	45%	32%	15%	8%
4. Tax system reform is an effective alternative to subsidies	42%	33%	15%	10%
5. Carbon taxation can replace fuel subsidies	35%	30%	20%	15%

Source: Field Survey, 2024

A majority of respondents (75%) concurred that tailored subsidies would serve as a feasible alternative to universal gasoline subsidies, indicating public endorsement for a more effective distribution of governmental resources. Likewise, 80% concurred that investing in renewable energy may diminish Nigeria's dependence on subsidies, reflecting a positive perspective on energy diversification. A majority viewed public expenditure efficiency and tax reform as effective options, whereas opinions on carbon taxation were more divided (35% strongly agree, 30% agree). This indicates that although economic measures are broadly endorsed, carbon taxes as a particular policy remains difficult.

Research Question 3: How does subsidy removal affect low-income households in Nigeria?

Table 4.4: Effects of Subsidy Removal on Low-Income Households

Statement	Strongly Agree (%)	Agree (%)	Disagree (%)	Strongly Disagree (%)
1. Subsidy removal disproportionately affects low-income households	60%	30%	5%	5%
2. Removal leads to higher transportation costs for the poor	70%	20%	7%	3%
3. Removal increases the overall cost of living for the poor	65%	25%	5%	5%
4. Low-income households will struggle to afford basic goods	50%	35%	10%	5%
5. Social safety nets should be in place before removing subsidies	75%	20%	3%	2%

Source: Field Survey, 2024

The research reveals a significant consensus (60%) that the elimination of subsidies disproportionately impacts low-income households. Furthermore, 70% strongly concur that it will elevate transit expenses for the impoverished, and 65% assert it will augment the overall cost of life. This aligns with the anticipation that eliminating fuel subsidies will impose a heavier financial burden on low-income populations. Seventy-five percent concurred that social safety nets must be established prior to any removal, highlighting the imperative of preventative measures to avert additional economic distress for the most vulnerable populations.

Research Question 4: Are targeted subsidies a feasible alternative to across-the-board fuel subsidies?

Table 4.5: Feasibility of Targeted Subsidies

Statement	Strongly Agree (%)	Agree (%)	Disagree (%)	Strongly Disagree (%)
1. Targeted subsidies cushion negative impacts	50%	35%	10%	5%
2. Targeted subsidies benefit those who need it most	45%	40%	10%	5%
3. Targeted subsidies require significant reforms	55%	30%	10%	5%
4. They can be implemented without disrupting the economy	40%	35%	15%	10%
5. Government can successfully implement targeted subsidies	35%	30%	20%	15%

Source: Field Survey, 2024

Public opinion indicates a significant consensus (85%) that targeted subsidies can mitigate the adverse effects of subsidy elimination and assist the most vulnerable demographics. Nonetheless, there is acknowledgement that these policies necessitate substantial adjustments in distribution systems (55% strongly agree). Nonetheless, the conviction that these subsidies can be executed without significant economic disturbances is more measured, with 40% expressing strong agreement and 35% indicating agreement. This suggests that although targeted subsidies are regarded as viable, there are apprehensions over their implementation.

Research Question 5: Can renewable energy provide a long-term solution to Nigeria's fiscal and energy challenges?

Table 4.6: Renewable Energy as a Long-Term Solution

Statement	Strongly Agree (%)	Agree (%)	Disagree (%)	Strongly Disagree (%)
1. Renewable energy can reduce reliance on fuel subsidies	65%	25%	5%	5%
2. Nigeria can diversify its energy sources through renewables	60%	30%	5%	5%
3. Renewable energy is cost-effective	55%	30%	10%	5%
4. Renewable energy can stimulate economic growth	50%	35%	10%	5%
5. Government should prioritize renewable energy over subsidies	70%	20%	5%	5%

Source: Field Survey, 2024

A significant majority (65%) firmly concur that renewable energy might diminish Nigeria's dependence on fuel subsidies; while 60% assert that energy diversification is attainable through investments in renewables. Over fifty percent (55%) perceive renewable energy as a financially viable answer, but a total of eighty-five percent concur that it possesses the capacity to foster economic progress. The predominant consensus (70%) that the government need to prioritise renewable energy over gasoline subsidies reinforces the notion that renewables are regarded as a long-term, sustainable resolution to Nigeria's economic and energy dilemmas.

Testing of Hypotheses

Table 4.7: Chi-square Test for Hypotheses

Hypothesis	*Chi-square (χ^2)*	*p-value*	*Decision*
$H0_1$: Fuel subsidies have no negative impact on Nigeria's fiscal sustainability	15.67	0.002	Reject null hypothesis
$H0_2$: There are no viable alternative fiscal policies that can replace the current subsidy regime in Nigeria	12.35	0.008	Reject null hypothesis
$H0_3$: Subsidy removal has no significant negative impact on low-income households in Nigeria	18.24	0.001	Reject null hypothesis
$H0_4$: Targeted subsidies are not feasible alternative to across-the-board fuel subsidies	10.87	0.014	Reject null hypothesis
$H0_5$: Renewable energy cannot provide a long-term solution to Nigeria's fiscal and energy challenges	20.12	0.000	Reject null hypothesis

Source: Field Survey, 2024

Discussion of Findings

This study's findings offer critical insights into the influence of gasoline subsidies on Nigeria's fiscal sustainability, the viability of alternative fiscal policies, and the repercussions of subsidy elimination on low-income households. The findings are examined below in respect to each study issue, with significant policy implications emphasised.

The study indicates that most respondents saw fuel subsidies as a considerable burden on Nigeria's financial resources. More than 80% of respondents concurred or strongly concurred that fuel subsidies exacerbate budget deficits and restrict government expenditure on essential areas such as education, healthcare, and infrastructure. This agreement corresponds with scholarly literature indicating that fuel subsidies frequently result in heightened governmental debt and fiscal imbalances (Akanbi & Du Toit, 2021). Moreover, participants concurred that the nation's excessive dependence on oil revenue renders it susceptible to global oil price volatility, hence highlighting the instability that fuel subsidies impose on Nigeria's fiscal structure (Adediran, et al., 2022). This research substantiates the assertion that eliminating subsidies may liberate fiscal resources for more productive investments in non-oil sectors.

Respondents identified several alternatives to the existing universal subsidy system. Targeted subsidies, which allocate benefits to the most needy populations, received favourable opinions, with 75% of respondents affirming its practicality. This indicates that the public prefers a more discerning strategy that minimises waste and directly aids the impoverished, along with research promoting improved subsidy methods for enhanced fiscal efficiency (Bento, 2019). Investment in renewable energy was a broadly endorsed alternative, with 80% of respondents advocating for the transition to clean energy. This discovery corresponds with the increasing literature advocating for the diversification of Nigeria's energy portfolio to diminish reliance on fuel imports and subsidies (Ogunbiyi, 2021). This policy directive may improve fiscal sustainability and alleviate the negative impacts of oil price fluctuations. Furthermore, tax reforms were seen a feasible option, with 75% of participants concurring that such reforms may yield the requisite revenue to offset the elimination of gasoline subsidies.

The results unequivocally indicate that low-income households are disproportionately impacted by the elimination of subsidies. A significant majority (70%) of respondents said that the elimination of subsidies will result in increased transportation and living expenses for the impoverished. These findings support earlier research indicating that gasoline subsidies, despite their inefficiency, function as an indirect social safety net for low-income groups (Coady, et al., 2015). With the increase in gasoline prices, expenses related to transportation, food, and other necessities often escalate, placing a greater strain on economically disadvantaged populations. Additionally, 75%

of participants endorsed the necessity of establishing social safety nets prior to the elimination of any subsidies. This aligns with international best practices, wherein nations have effectively eliminated fuel subsidies only after instituting compensatory programs, such as conditional cash transfers or public transport subsidies, to alleviate the immediate adverse effects on the impoverished (Arze del Granado, et al., 2012). The data indicate that inadequate planning in the elimination of subsidies may intensify poverty and increase economic disparity in Nigeria.

The research indicates robust endorsement for targeted subsidies as a viable option, with 85% of respondents concurring that these measures can mitigate the adverse effects of subsidy elimination. Nonetheless, there is acknowledgement of the difficulties associated with executing such policies, since more than 55% of respondents recognise the necessity for substantial adjustments in distribution networks. This finding corresponds with research indicating the challenges of creating targeted subsidy programs that successfully reach the intended recipients while reducing administrative expenses (Bastagli, 2019). Thirty-five percent of respondents expressed concerns over the government's ability to effectively administer targeted subsidies, reflecting scepticism about the nation's institutional preparedness. Prior research has indicated that ineffective governance frameworks and corruption significantly impede the successful execution of targeted programs in Nigeria (Olawuyi, et al., 2020). Consequently, whereas targeted subsidies are theoretically viable, substantial obstacles exist in guaranteeing their practical efficacy.

Renewable energy is predominantly regarded as a feasible long-term alternative, with 65% of respondents firmly agreeing that it may diminish Nigeria’s need on fuel subsidies. Participants also contend that renewable energy has the potential to catalyse economic growth, diversify the energy portfolio, and offer cost-efficient alternatives to fossil fuels. The findings endorse the increasing advocacy for renewable energy investments within Nigeria's comprehensive energy transition strategy (Oseni & Pollitt, 2020). The conviction that renewable energy may offer financial relief by diminishing the necessity for fuel subsidies corresponds with worldwide trends, since nations shifting to renewables have experienced substantial fiscal savings (IRENA, 2019). The responders emphasised the necessity for robust governmental commitment and the prioritization of renewable energy over ongoing petroleum subsidies. This study indicates that the effective incorporation of renewable energy into Nigeria's budgetary framework relies on continuous governmental initiatives and investment.

Conclusion and Recommendations

Conclusion

The study determined that the elimination of fuel subsidies in Nigeria is a multifaceted subject necessitating meticulous evaluation of its socio-economic consequences. The government's objective

to abolish subsidies is based on fiscal sustainability; nonetheless, public reaction reveals significant apprehension about possible rises in living expenses and the effects on at-risk groups.

Results indicated that a considerable percentage of respondents believed that the elimination of subsidies would intensify poverty and elevate unemployment, especially within low-income households. Furthermore, there existed widespread scepticism about the government's ability to execute effective alternatives that would mitigate the effects of subsidy removal. Participants indicated a preference for specific subsidies that would directly assist the most impacted populations.

The study indicated that, although there is endorsement for renewable energy alternatives, there exists a deficiency in awareness on the advantages and practicality of moving to these options. Consequently, there is an urgent necessity for extensive public education and engagement campaigns to enlighten citizens about the prospective advantages of these choices. Ultimately, the outcomes underscore that any subsidy reform must be paired with policies that cater to the needs of the most disadvantaged societal sectors, ensuring an equitable and sustainable transition.

Recommendations

i. The government consider implementing targeted subsidies aimed at low-income people and essential industries significantly impacted by fuel price surges, including transport and agriculture.
ii. Government should prioritize nationwide initiative to inform citizens of the consequences of subsidy removal and the advantages of alternative energy sources should be implemented, cultivating popular endorsement for essential reforms.
iii. The government should to prioritize investments in renewable energy infrastructure and offer incentives for private sector involvement, which can generate employment and diminish dependence on fossil fuels.
iv. Government should develop a comprehensive monitoring and evaluation mechanism to evaluate the socio-economic effects of subsidy removal and alternative policies, facilitating prompt modifications as necessary.
v. Policymakers should engage stakeholders, such as civil society, labour unions, and business representatives, in the decision-making process about subsidy reforms to guarantee the inclusion of all viewpoints.

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