FUEL SUBSIDY REMOVAL AND THE LIVES OF RURAL DWELLERS IN NIGERIA

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Abstract
The oil industry in Nigeria is very important to the nation as it contributes significantly to the country’s economic fortunes. Fuel as known is used by virtually every human for one purpose or another. Fuel subsidy removal therefore has direct effects on every individual in various ways. However, the interest of this study is to examine the extent to which fuel subsidy removal affects the lives of rural dwellers in Nigeria. Secondary sources of data such as newspapers, journals, online materials among others were adopted to gather information for the research and Karl Marx’s social conflict theory was employed as basis to justify this concern. The study then concluded that fuel subsidy removal has negative effects on the lives of rural dwellers. It was recommended that the government should not remove subsidy on petroleum products. However, if fuel subsidy removal would be totally sustained, efforts should be made to provide adequate infrastructural facilities to improve the standard of living of these ruralites.

Keywords: Fuel, Subsidy, Rural areas, Rural Development and Subsidy Removal

Introduction
Nigeria is one of the largest oil producers in the world. The country is highly endowed with immeasurable mineral resources, most notably gas reserves and crude oil. Siddig, Aguia, Grethe, Minor and Walmsley (2015) argued that Nigeria owns 28% of Africa’s oil reserve beaten by only Libya. The country produces 2.5 million barrels per day in 2017 which accounted for around 24% of Africa’s petroleum (Onwuemenyi, 2017). However, like in many developing nations, these fortunes have not manifested into meaningful development of the people’s welfare condition. Rather, the delivery of processed crude oil products like petrol and gas in the country has declined due to corruption, smuggling, bureaucratic bottlenecks, mismanagement and inefficiencies (Ibanga, 2011).

Nigeria began to subsidize the petroleum industry around 1980s after setting up its own petroleum company called the Nigerian National Petroleum Corporation (NNPC). It was observed that an average Nigerian would be unable to afford one liter of petrol if not subsidized; this brought about the introduction of subsidy policy in order to make fuel prices affordable for all. In spite of this, petroleum price continues to increase with constant scarcity of fuel which was supposed to be stopped by the downstream sector deregulation. It was anticipated that the removal of fuel subsidy policy would allow for competition in the sector resulting in reduction of prices, surplus commodity as well as efficiency and effectiveness (Cassy, 2012).

The Nigerian federal government in its attempt to deregulate the petroleum downstream sector totally removed fuel subsidy on 1st, January 2012. The former president, Goodluck Jonathan decided not to make any payment for subsidy in 2012 as he claimed that the N3.4billion being spent on subsidy was not worth it as it was mismanaged by corrupt government officials (Gyoh, 2012). Fuel subsidy was one of the
major priorities of the Buhari administration but the information minister, Alhaji Lai Mohammed stated that the country is ‘broke’ and cannot sustain the payment of fuel subsidy. This was followed by the increase in fuel prices from N86 to N145 per liter, more than 50% increase.

Vice president, Professor Osinbajo stated in a statement on 13, May 2016 that with competition, more private refineries, and NNPC refineries working at full capacity, prices will drop considerably. Therefore, the main reason for removing this fuel subsidy was to work towards building working oil refineries that can be used in producing oil locally in the country which will ultimately bring about reduction in fuel prices locally and increase exportation of refined oil. Thus, subsidy payment was stopped to reduce government expenditure due to the drop in global oil price, reducing corruption in the oil sector, stop diversion of subsidized oil by marketers to neighboring countries, increasing competition in the oil industry as well as curbing the foreign exchange crisis faced by marketers. Petroleum products marketers were facing challenges in sourcing for foreign exchange which posed a serious threat in the importation of the products causing fuel scarcity in Nigeria (Godwin, 2016).

Statement of the Problem
Since independence, Nigeria’s oil industry has affected the country’s economic policies and growth. It is an understatement to say the country depends mainly on the oil industry as the industry is more of a life-blood for the economy of Nigeria (Adelabu, 2012). The economic strength of Nigeria is obtained majorly from the income derived from oil and gas which accounts for more than 90% of government revenues and almost 40% of the country’s GDP. Even with all these achievements in the oil industry, Nigeria’s successive governments have failed to utilize the oil riches to affect the lives of the citizens positively in terms of reduction in poverty, provision of social amenities as well as other basic needs (Ering & Akpan, 2012).

Onyeizugbe and Onwuka, (2012) noted that the country possesses four refineries that have the capacity of turning out about 445,000 fuel barrels daily. This production capacity is enough to meet the needs of domestic users and still have surplus left for external sales that can contribute to GDP. With this, one will be tempted to infer that the country should be able to take care of its citizens but that has not been the case as the country still imports a huge amount of petrol as well as other petroleum products for domestic use. Mismanagement of funds, ineffectiveness and inefficiencies are some of the few things caused by corruption in the petroleum sector. The consequence of this is that the international financial market of the country has suffered depression. Foreign exchange rate continues to decline as the naira has weakened against all major currencies across the globe, unemployment rate and inflation continue to increase, businesses are shutting down due to the challenges they are unable to cope with.

Despite the attempts to revive the country’s economy through diversification to non-oil exports, petroleum still adds about 95% to Nigeria’s foreign total income. Nigeria is more and more relying heavily on petroleum products imported from other nations because the refineries in the country are not working and when they do, they do not produce up to their capacity. The country’s capital expenditures and balance of payments have been threatened in recent times due to the importation cost of these petroleum products (Adelabu, 2012).

The Nigerian rural areas have always struggled in terms of their standard of living and increase in fuel prices has made this matter worse. This is evidenced by the high transportation cost which results in shortage of food in cities as these ruralities are unable to move their farm produce to where they can be sold. Thus, goods that are of perishable nature like tomatoes, mangoes, oranges among others can get spoilt which invariably leads to increase in poverty level of rural dwellers.

Many studies have been carried out on the impact of fuel subsidy removal in Nigeria but little or no literature is available on how the removal of subsidy has affected the lives of the ruralites who have been time and again neglected by successive Nigerian government at all levels. This is why the study is being carried out to find out to which extent the removal of fuel subsidy has affected the rural communities in Nigeria.

Objectives of the Study
The following are the objectives to be achieved by this research;
1. To fully understand the reasons for the removal of subsidy removal by the Nigerian federal government;
2. To examine the extent to which fuel subsidy removal has affected the rural populace in Nigeria.
Conceptual Framework

Rural Areas

The word rural implies a settlement characterized by agricultural orientation where there exist farm houses, sheds, barns and other structures that are of similar purpose. Olisa et al (1992) was of the opinion that the main difference between rural and urban areas is the population especially in a developing country like Nigeria. In Nigeria, a community with a population of less than 20,000 people can be classified as rural. However, population alone does not determine what characterizes a rural area. Rural areas according to Egbe (2014) are areas that are lacking the most in terms of basic infrastructures for meaningful development. These infrastructures include good roads, clean water supply, health facilities, electricity, and quality education among others. The dwellers of rural areas according to him engage in subsistence farming and are also characterized by low standard of living, neglected socially and politically.

Rural areas represent a very important sector of the Nigerian economy as they represent a home for Nigerian fortunes. This is evidenced by the fact that these communities produce virtually all the food products in the country, posses both human and raw materials for industrial processes, provide shelter in times of national crises, preserve the cultural values in the society to mention but a few (Raji, Muhammed, Joseph, Abdulbaqi, Adeshina &Sulaimon, 2017).

These rural communities suffer meaningful development and are affected by many of the economic policies in the country. This is because they are less vocal, far away from the government and as such cannot make their voices heard. Yet, they still posses the majority population in a developing nation like Nigeria where over 70% of the country’s population still live in rural areas. Thus there is the need to develop these areas in order to have meaningful development economically as well as in other sectors of the country (Nyagba, 2009).

Fuel Subsidy

Subsidy is any measure that maintains the prices paid for product or goods by consumers below market level and above market level for producers. It means an assistance given to businesses or individuals by the government in form of tax reduction, cash or reduction of cost of goods and services. The main rationale behind subsidy is to help businesses and individuals purchase needed goods and services which they may under normal circumstances not be able to afford. Subsidies could come in different form, ones that have direct and those that have indirect impact on prices. Subsidies that have direct impacts include tax reduction, grants and price controls. On the other hand, the subsidies that have indirect impacts include technology sponsored by the government, government regulation in favor of a particular market among others (Adebiyi, 2011).

According to Onyeizugbe & Onwuka (2012), fuel subsidy means that a proportion of the amount consumers are to pay for the usage of petroleum products is paid by the government in order to relieve the burden of the price. The government of Nigeria removed the fuel subsidy declaring that the prices being paid by the citizens are lower than what they are supposed to pay when compared with those of the international market. Fuel subsidy could also be viewed according to Majekodunmi (2013) as a government program which is created to lessen the price to be paid by Nigerians for oil products. These oil products include Automated Gas Oil (Diesel), Petroleum Motor Spirit (PMS) and Dual Purpose Kerosene (DPK). Subsidy of fuel is predominant in countries that produce oil such as Iran, Egypt, Venezuela, Malaysia, Burma, South Korea, and China among others.

Fuel subsidy removal policies are very responsive to the structure of an economy, a country’s level of development, state of the economy and political system. Studies have shown that countries that have succeeded in fuel subsidy removal have taken a slow approach and done a lot of research before implementation. This can be made possible by the effective communication as well as a high level of trust between the government and its citizens (Centre for Public Policy Alternatives, 2012).

Iyobhebhe (2012) argued that many Nigerians have access to affordable petroleum products through fuel subsidy. Petroleum subsidy represents universal benefit and not a benefit targeted specifically at the poor (Comia & Stwart, 1993). Similarly, Hobhebhe (2012) was of the opinion that subsidy is an indirect way of redistributing wealth to the poor and if stopped, government must find a way of compensating Nigerians, explain how the resulting inflation will be managed and how the savings from the removal of subsidy will be utilized.

In addition, Akinwale, Olaopa, Ogundari and Siyanbola (2013) claimed that a large number of the citizens have greatly opposed the government’s removal of fuel subsidy because it is against the Millennium Development Goals (MDGs) which are aimed at reducing the level of poverty in the country.

Arguments for the Removal of Fuel Subsidy in Nigeria
Protagonists of fuel subsidy have argued that subsidy has to be removed on fuel because the nation needs money to boost the economy. They believe that deregulation and liberalization of the petroleum downstream sector would make the country achieve the objective of reducing fuel scarcity to the barest minimum as well as hoarding leading to adequate supply of fuel across the country. Also, it will give room for foreign investment in the industry and the subsidy funds can be diverted to meeting other social needs like education and basic medical healthcare (Majekodunmi, 2013).

Furthermore, those in support of the subsidy removal have argued that the monopoly power that the Nigerian National Petroleum Corporation (NNPC) has enjoyed so far in terms of control over fuel will be broken as there will be more competition in the sector. The lack of capacity to supply the country with adequate fuel shown by the NNPC coupled with the refineries that are not working have called for the removal of fuel subsidy (Onyishi, Eme & Emeh, 2012).

In addition to this, supporters said that subsidy removal will help reduce the corruption and waste engaged in by certain people in the petroleum sector, minimize the country’s borrowing, save money for investment in creation of employment, power, transportation among others (Ering & Akpan, 2012).

Also, it is believed that the removal of fuel subsidy leading to increase in fuel price which many Nigerians depend on in generating power will force them to look elsewhere for power generation. This will ultimately lead to creativity in alternative power supply like solar energy and the coal industry will also thrive.

Arguments against the Removal of Fuel Subsidy in Nigeria

The antagonists of fuel subsidy removal posit that in Nigeria, almost all businesses and homes rely heavily on generating sets which run on fuel due to the epileptic power supply in the country. Small scale businesses like the hotels, welding, salons among others all rely heavily on generating sets. Transportation costs increase day by day and affect the effectiveness and efficiencies of businesses in the country due to this subsidy removal. Inflation rate have also increased, naira has further depreciated in value with a lot of money chasing few goods. Creditors are not also spared as they lose money lent out before inflation when prices are stable but they tend to lose these monies when inflation sets in (Louis, 2012).

In addition, according to Cassy (2012), the following are some of the demerits of fuel subsidy removal in Nigeria:

- standard of living will drop drastically as workers who earn low salaries in both public and private sectors will struggle to make a living based on the inflation caused by the removal of fuel subsidy
- there will be much more pressure from labor organizations on the government to increase the minimum wage paid to workers.
- increase in unemployment as businesses tend to close down with the increase in fuel prices.

Finally, those who oppose subsidy removal insist that fuel subsidy payment has its own contribution to development of rural areas through the reduction in prices. In rural areas as we all know, their main occupation involves farming and trading which need transporting to cities for sale. The cost of transportation reduces as a result of payment of fuel subsidy by the government and this results in more profit for the traders. In turn, it reduces poverty level in the country, increases income of households and reduces crime rate in the Nigerian society. Fuel subsidy payment by the government makes fuel available at all times for consumption by the people and prevents shadow economy or black market as it is fondly called (Oluwa, 2015).

Theoretical Framework

This study was based on the conflict perspective with a focus on Karl Marx’s social conflict theory.

Social Conflict Theory

The conflict theory was propounded by a sociologist called Karl Marx (1818-1883). The theory sees the social world as one filled with strife and tension. Class struggle is the center point of this theory as Marx reiterated that there are two classes facing each other in every society and these two classes compete for limited resources (power, wealth and prestige). The theory argues that conflict arises when status, power and resources are not evenly distributed among members of the society and that this conflict of interest leads inevitably to social change. Power in this context is defined as the control of societal institutions, accumulated wealth, and material resources (Crossman, 2017). Thus, power and domination maintain social order in the society rather than consensus and conformity as believed by the functionalists (Investopedia.com, 2018). Some individuals in the society hold more money, power, prestiges as well as other valuables than the others do and as such there is bound to be conflict of interest between the upper
class and the lower class. Those in the upper class try to retain the resources they have in their possession through domination, oppression and exploitation while those in the lower class who do not have these resources try as much as possible to secure them by any means which will eventually lead to conflict.

In summary, according to Dahrendorf (2007), the following are the assumptions of social conflict theory:

1. **Competition**: Conflict arises from individuals or groups that have differing interests or struggle for limited resources in the society.
2. **Domination and exploitation**: This struggle leads to some individuals or groups dominating, exploiting and oppressing others.
3. **Structural Inequality**: Dominant individuals and groups influence allocation of resources and structure of the society in an unequal way.
4. **Social change**: This domination of the lower class by the upper class will inevitably lead to social change in the society where the have-nots will want to fight for their rights.

**Application of theory to this study**

Fuel subsidy removal in Nigeria has generated a lot of debates among stakeholders in the country. The conflict theory argues that groups in the Nigerian society compete for certain resource which in this case is the fuel. Competition for fuel between the upper class (politicians) and the lower class (the masses) causes conflict between the two groups. The upper class wants to maintain their influence over fuel distribution through domination and oppression while those in the lower class want to secure fuel for running their businesses and other activities. This has led to social inequality in the Nigerian society where there is a glaring gap between the rich and the poor. The state of rural areas in the country compared to that of the urban areas is a very good example of this inequality. The bourgeoisies as termed by Karl Marx who make up the upper class live in urban areas while the proletariat (lower class) live in rural areas. The condition of rural areas in the country has become worsened due to the increase in fuel prices caused by the removal of fuel subsidy. The removal of fuel subsidy in Nigeria is thus viewed by social conflict theorists as one which was employed by the upper class to oppress, exploit and dominate the lower class in order to acquire more wealth, resources and power as this removal of subsidy has enriched some individuals and groups at the expense of the masses having adverse economic effects on them. An example can be seen in the hoarding of fuel by many filling stations in the country that delay sales in order to sell at exorbitant prices later. However, those in the upper class buy fuel at any time they want because of the economic and political power they possess which is a sign of inequality caused by their domination of the lower class. Finally, it is believed by the conflict theorists that there is bound to be revolution in the country which will lead to social change. This change will be facilitated by the lower class in the country that constitutes a majority and are affected the most by any economic decision made by those in the upper class. Social change could come in form of a military coup, revolution by members of the society or even the restructuring of the political system.

**Methodology**

The research was carried out in Nigeria with a focus on the rural areas in the country. The study used secondary data collection technique in gathering information. Sources of data collection include magazines, journals, textbooks and online materials.
fuel as their parents may be unable to afford the fees demanded by these schools. This is because the rural public schools are in a deplorable state as they are characterized by lack quality teachers, learning and teaching materials, strike actions by teachers due to non-payment of salaries among others. Community development programs that involve finances may also be disrupted as the ruralites who cannot even cater for themselves cannot engage in voluntary financial activities thereby contributing to their underdevelopment.

It has emphasized by many studies that there is the need for the country to diversify its economy and not be dependent too much on oil. How does the country do this without the help of these rural communities? It is almost impossible because they possess the resources and skills to carry out agricultural activities (which they primarily engage in) leading to sustainable economic development. Various studies show that the country possesses countless raw materials which can be harnessed for economic growth and many if not all of these resources can be found in rural areas which make them vital to the survival of the nation’s economy. Yet, these areas are the ones adversely affected the most by this economic policy of fuel subsidy removal.

After the removal of fuel subsidy by the present administration, there were hopes that fuel will be made available at all times and scarcity will be a thing of the past but such has not been the case as the current fuel scarcity has shown. Scarcity of petroleum products began in December 2017 and still persists till now. The federal government has recently stated that the NNPC pays N26 as subsidy which makes everyone wonder why it was removed in the first place. This is an evidence to show that the removal of subsidy is not working and as such the payment should continue.

**Conclusion**

As argued above, Nigeria still remains rural despite the growing urbanization in the country. Fuel subsidy removal policy therefore, affects the majority of Nigerians who are the rural dwellers in all ramifications. The federal government posited that fuel subsidy removal will help the country redirect its spending on other sectors like education, health among others that can be of benefit to the majority. They also argue that it will help reduce the monopolistic power of the NNPC in the importation, distribution and marketing of petroleum products and it will help build refineries that can work at full capacity for the smooth supply of fuel in the country. The proponents of this subsidy removal posit that the rural sector of the economy will be better catered for if subsidy is removed as government expenditure on oil will be reduced.

It is however obvious that none of the objectives highlighted above has been achieved as the fuel scarcity in the country is still on the increase, social amenities in both rural and urban areas still remain the same if not worse. In a nutshell, the aim of fuel subsidy removal has been defeated.

**Recommendations**

From the foregoing, this study recommended that government should reconsider its decision to remove subsidy on fuel. Payment of subsidy on fuel will help the neglected rural people to increase in their standard of living as well as developing economically. It will also enable businesses to flourish as there will be reduction in running cost thereby reducing the number of unemployment caused by shutdown of businesses. Thus, government should not remove fuel subsidy as it will help develop rural areas and the country as a whole.

However, if the decision to remove subsidy is finally taken, the government should not take the masses for granted and carry them along by consulting with relevant stakeholders, trade associations, private sectors among others. The government should also communicate to the masses the various long-term benefits and need for removing fuel subsidy as well as the short-term challenges that are likely to be faced by the people provided there are mechanisms to make it work. The government should take into account the various ways in which the rural communities have been affected by this subsidy removal and find ways in which they can be helped to cope with the various problems caused by the removal of fuel subsidy. This can be done through the provision of basic amenities and infrastructural facilities like roads, healthcare facilities, quality education, providing loans for rural farmers at reduced or no interests among others.
References


