



An Assessment of Fuel Subsidy Removal and Its Effects on Inflation, Fiscal Capacity, and Household Welfare in Nigeria (2023–2025)

Penilaian terhadap Penghapusan Subsidi Bahan Bakar dan Dampaknya terhadap Inflasi, Kapasitas Fiskal, dan Kesejahteraan Rumah Tangga di Nigeria (2023–2025)

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<p>ARTICLE HISTORY Received [23 March 2026] Revised [10 April 2026] Accepted [14 May 2026]</p>	<p>ABSTRAK</p> <p>Penghapusan subsidi bahan bakar di Nigeria pada Mei 2023 menandai perubahan besar dalam kebijakan fiskal dan ekonomi di bawah pemerintahan Presiden Bola Ahmed Tinubu, yang memicu perdebatan luas mengenai dampaknya terhadap inflasi, keberlanjutan fiskal, dan kesejahteraan rumah tangga. Meskipun reformasi tersebut diluncurkan untuk mengurangi pengeluaran pemerintah dan meningkatkan alokasi pendapatan publik, muncul kekhawatiran mengenai konsekuensi sosial-ekonominya, terutama bagi kelompok masyarakat yang rentan. Penelitian ini mengkaji dampak penghapusan subsidi bahan bakar terhadap inflasi, kapasitas fiskal, kesejahteraan rumah tangga, dan persepsi publik di Nigeria antara tahun 2023 dan 2025. Penelitian ini mengadopsi desain penelitian konseptual dan analitis, dengan mengintegrasikan data sekunder yang diperoleh dari Badan Statistik Nasional (NBS), Komite Alokasi Akun Federasi (FAAC), literatur akademis, laporan kebijakan, dan publikasi media. Temuan penelitian menunjukkan bahwa penghapusan subsidi bahan bakar secara signifikan meningkatkan kapasitas fiskal pemerintah melalui alokasi dana FAAC yang lebih tinggi dan peningkatan pendapatan negara. Namun, reformasi tersebut sekaligus memperparah tekanan inflasi, terutama di sektor transportasi, pangan, dan energi, yang mengakibatkan kenaikan tajam dalam biaya hidup. Penelitian ini juga menemukan bahwa rumah tangga berpenghasilan rendah, pekerja informal, perempuan, dan penduduk pedesaan mengalami penurunan kesejahteraan paling parah akibat berkurangnya daya beli dan kurangnya langkah-langkah perlindungan sosial yang memadai. Selain itu, ketidakpuasan publik semakin meningkat akibat penerapan kebijakan yang mendadak dan intervensi penanggulangan yang tidak efektif. Penelitian ini menyimpulkan bahwa meskipun penghapusan subsidi bahan bakar dapat meningkatkan keberlanjutan fiskal jangka panjang, keberhasilannya bergantung pada perlindungan sosial yang efektif, tata kelola yang transparan, dan strategi implementasi yang inklusif. Penelitian ini berkontribusi pada literatur yang ada dengan mengintegrasikan analisis makroekonomi dengan pengalaman tingkat rumah tangga, sehingga memberikan pemahaman yang lebih komprehensif tentang reformasi subsidi di negara-negara berkembang.</p> <p>ABSTRACT</p> <p><i>The removal of fuel subsidies in Nigeria in May 2023 marked a major fiscal and economic policy shift under President Bola Ahmed Tinubu's administration, generating widespread debate over its implications for inflation, fiscal sustainability, and household welfare. Although the reform was introduced to reduce government expenditure and improve the allocation of public revenue, concerns emerged about its socio-economic consequences, particularly for vulnerable populations. This research examines the effects of the removal of fuel subsidies on inflation, fiscal capacity, household welfare, and public perception in Nigeria between 2023 and 2025. The research adopts a conceptual and analytical research design, integrating secondary data obtained from the National Bureau of Statistics (NBS), the Federation Account Allocation Committee</i></p>
<p>KEYWORDS <i>Fuel Subsidy Removal, Inflation, Fiscal Capacity, Household Welfare, Cost-Push Inflation, Public Finance Reform</i></p>	
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(FAAC), academic literature, policy reports, and media publications. The findings reveal that removing fuel subsidies significantly increased government fiscal capacity through higher FAAC allocations and expanded public revenue. However, the reform simultaneously intensified inflationary pressures, particularly in transportation, food, and energy sectors, leading to severe increases in the cost of living. The research further found that low-income households, informal workers, women, and rural populations experienced the greatest welfare losses due to declining purchasing power and inadequate social protection measures. Additionally, public dissatisfaction was heightened by the abrupt implementation of policies and ineffective palliative interventions. The research concludes that while removing fuel subsidies may enhance long-term fiscal sustainability, its success depends on effective social protection, transparent governance, and inclusive implementation strategies. The research contributes to existing literature by integrating macroeconomic analysis with household-level experiences, thereby providing a more comprehensive understanding of subsidy reform in developing economies..

INTRODUCTION

The removal of fuel subsidies in Nigeria in May 2023 represents a major shift in the country's fiscal and economic policy framework, with far-reaching implications for macroeconomic stability and household welfare. Fuel subsidies—defined as government interventions that reduce the domestic price of petroleum products below market levels through direct or indirect financial support—have historically been justified as mechanisms for social protection, price stabilisation, and political legitimacy in resource-dependent economies (Sienaert et al., 2023; Percy & Gloria, 2024). However, a growing body of literature argues that such subsidies are fiscally unsustainable, economically distortionary, and often regressive in distributional impact, disproportionately benefiting higher-income groups rather than vulnerable populations (Ross, 2013; Sienaert et al., 2023). In Nigeria, the subsidy regime evolved within the broader context of an oil-dependent economy characterised by limited domestic refining capacity, high import dependence, and exposure to global oil price volatility. Empirical estimates indicate that fuel subsidies consumed between US\$10 and US\$ 12 billion annually prior to 2023, placing significant pressure on public finances and constraining investments in critical sectors such as infrastructure, healthcare, and education (Sienaert et al., 2023). From a public finance perspective, subsidy removal is often framed as a fiscal reform aimed at reallocating scarce resources toward more productive and welfare-enhancing expenditures (Percy & Gloria, 2024). This aligns with the broader theoretical argument that inefficient public spending can crowd out developmental investment and weaken long-term growth prospects (Badeeb et al., 2017).

Conceptually, this research focuses on three core constructs: inflation, fiscal capacity, and household welfare, each of which is operationally defined to ensure analytical clarity. Inflation is defined as a sustained increase in the general price level of goods and services, typically measured by the Consumer Price Index (CPI), which reflects changes in the cost of living over time (National Bureau of Statistics, 2022; Goodwin et al., 2019). Fiscal capacity refers to the ability of the government to mobilise, allocate, and efficiently utilise financial resources to meet its expenditure obligations and development objectives, often proxied by indicators such as revenue generation, budget balance, and intergovernmental transfers (Percy & Gloria, 2024). Household welfare is conceptualised as the overall economic well-being of individuals and families, encompassing income levels, consumption patterns, access to essential goods and services, and resilience to economic shocks (Sienaert et al., 2023). The removal of fuel subsidies is expected to influence these variables through multiple transmission mechanisms. First, from a macroeconomic standpoint, increases in fuel prices can generate cost-push inflation, as higher transportation and production costs are passed through to consumers in the form of higher prices for goods and services (Goodwin et al., 2019). This effect is particularly pronounced in economies like Nigeria, where fuel constitutes a critical input across sectors and demand is relatively inelastic due to limited substitutes (Abdul et al., 2025). Second, subsidy removal can enhance fiscal capacity by reducing recurrent expenditure burdens and increasing the pool of distributable public revenue, particularly through mechanisms such as the Federation Account Allocation Committee (FAAC), thereby enabling greater investment in public goods (Olatunde et al., 2026). Third, at the microeconomic level, rising fuel prices can adversely affect household welfare by increasing the cost of transportation, food, and energy, thereby reducing real income and purchasing power, especially among low-income and vulnerable groups (Uwak et al., 2024; Yakubu, 2025; Asiegbu & Udem, 2026).



Despite these theoretical linkages, the net effects of subsidy removal remain contested in the literature. While some studies emphasise long-term fiscal and efficiency gains, others highlight high short-term social costs, including rising inflation, increased poverty, and widening inequality (Percy & Gloria, 2024; Sienaert et al., 2023). These divergent outcomes underscore the importance of contextual analysis, particularly in developing economies where institutional capacity, policy implementation, and social protection mechanisms play critical roles in mediating reform outcomes. This research provides an analytical assessment of fuel subsidy removal in Nigeria between 2023 and 2025, focusing specifically on its effects on inflation, fiscal capacity, and household welfare. By clearly operationalising key concepts and situating the analysis within established theoretical and empirical literature, the research seeks to contribute to ongoing debates on the trade-offs between fiscal reform and social protection in resource-dependent economies.

Statement of the Problem

The removal of fuel subsidies in Nigeria in May 2023 was implemented as a fiscal reform to improve government revenue allocation, reduce budgetary pressures, and enhance macroeconomic stability. While the policy has been widely justified on the grounds of fiscal sustainability and economic efficiency, its actual implications for inflation dynamics, fiscal capacity, and household welfare remain empirically contested and insufficiently resolved within the literature. This creates a critical analytical gap in understanding the trade-offs inherent in subsidy reform in a developing, oil-dependent economy. From a macroeconomic perspective, fuel price adjustments are theoretically linked to inflation through cost-push mechanisms, given the centrality of petroleum products in transportation, production, and distribution systems (Goodwin et al., 2019). In Nigeria, where fuel demand is relatively inelastic due to limited substitutes and weak infrastructure, increases in fuel prices are expected to transmit rapidly across sectors, raising the general price level (Abdul et al., 2025). However, the magnitude, persistence, and distributional effects of this inflationary pressure remain unclear, particularly in the absence of robust longitudinal and sector-specific analysis. At the fiscal level, subsidy removal is assumed to enhance fiscal capacity by freeing public resources for developmental expenditure and improving intergovernmental revenue flows (Percy & Gloria, 2024; Sienaert et al., 2023). While preliminary evidence suggests increased revenue allocations following the reform, there is limited systematic evaluation of whether these gains translate into improved public service delivery, infrastructure development, or broader economic outcomes. This raises questions about the efficiency and effectiveness of resource reallocation in practice.

More critically, the implications for household welfare are a major concern. Rising fuel prices have direct and indirect effects on the cost of living, including transportation, food, and energy expenses, which disproportionately affect low- and middle-income households (Uwak et al., 2025; Yakubu, 2025; Asiegbu & Udem, 2026). Although policy measures such as cash transfers and transport subsidies have been introduced, existing evidence suggests that these interventions are often limited in scope, unevenly distributed, and insufficient to offset welfare losses. However, there remains a lack of comprehensive empirical analysis capturing household-level experiences, coping mechanisms, and the extent of welfare deterioration following subsidy removal. The central problem lies in the absence of an integrated analytical assessment that simultaneously examines the interconnections between inflation, fiscal capacity, and household welfare in the context of Nigeria's post-2023 subsidy reform. Existing studies tend to focus on isolated dimensions—either macroeconomic indicators or social outcomes—without adequately capturing the dynamic interactions and trade-offs between them. Furthermore, inconsistencies in temporal scope and limited use of primary data constrain the reliability of current findings. This research addresses this gap by providing a structured analysis of how the removal of fuel subsidies affects inflationary trends, government fiscal capacity, and household welfare outcomes in Nigeria between 2023 and 2025. By bridging macroeconomic and microeconomic perspectives and grounding the analysis in clearly defined conceptual variables, the research seeks to offer a more comprehensive understanding of the policy's implications and inform evidence-based decision-making.



RESEARCH METHOD

This research adopts a conceptual and analytical research design, rather than an empirical or field-based methodology, to examine the effects of removing fuel subsidies on inflation, fiscal capacity, and household welfare in Nigeria between 2023 and 2025. A conceptual paper is appropriate because the objective is not to generate primary data, but to synthesise, clarify, and integrate existing theoretical and empirical insights into a coherent analytical framework (Jaakkola, 2020). The methodology is grounded in systematic literature analysis, drawing on peer-reviewed academic studies, policy reports, and institutional publications from credible sources such as the World Bank, National Bureau of Statistics and recent scholarly contributions on Nigeria's fiscal reforms (Percy & Gloria, 2024; Uwak et al., 2024; Sienaert et al., 2023). Sources are selected based on relevance, recency (primarily from 2020–2025), and methodological rigour to ensure the reliability and validity of interpretations. The research employs a thematic synthesis approach, whereby findings from the literature are organised around the three core analytical constructs: inflation, fiscal capacity, and household welfare. To ensure conceptual clarity, each key variable is operationally defined and analytically delimited. Inflation is treated as a change in the general price level, measured through CPI trends; fiscal capacity is examined through indicators such as government revenue, expenditure allocation, and intergovernmental transfers; and household welfare is analysed in terms of the cost of living, consumption patterns, and economic vulnerability. These constructs guide both the selection of literature and the interpretation of evidence.

Analytically, the research integrates insights from Price Elasticity of Demand (PED) theory and Public Choice Theory to explain the economic and political dimensions of subsidy removal. PED theory provides a basis for understanding how fuel price increases are transmitted into inflation and household expenditure, particularly in contexts of inelastic demand (Goodwin et al., 2019). Public Choice Theory, on the other hand, explains the policy rationale, implementation challenges, and trade-offs between fiscal efficiency and social welfare (Buchanan & Tullock, 1965). These frameworks are used to structure the analysis and interpret observed relationships between variables. The research further employs comparative and inferential reasoning by examining patterns across existing studies and identifying convergences, divergences, and gaps in the literature. Rather than testing hypotheses statistically, the paper develops analytical propositions about the relationships between subsidy removal, inflationary pressures, fiscal outcomes, and welfare effects. This approach enables the research to build a logically consistent explanation of the policy's multidimensional impacts. To enhance analytical rigour, the research employs triangulation at the literature level, comparing findings from multiple sources (academic, institutional, and policy-based) to validate its conclusions. Limitations of the conceptual approach are acknowledged, particularly the reliance on secondary data and the inability to establish direct causality or capture real-time household experiences. However, by systematically integrating diverse sources and grounding arguments in established theory, the research provides a robust and coherent analytical assessment of fuel subsidy removal in Nigeria. Overall, this methodology aligns with the objectives of a conceptual paper by prioritising theoretical integration, conceptual clarification, and evidence-based reasoning, thereby contributing to a deeper understanding of the complex interactions between fiscal reform and socio-economic outcomes.

RESULTS AND DISCUSSION

Results and Thematic Analysis

This section presents the findings of a mixed-methods analysis that integrates primary data from 25 semi-structured interviews and 50 open-ended questionnaires with secondary data from the National Bureau of Statistics (NBS), the Federation Account Allocation Committee (FAAC), academic literature, media reports, and international organisations, including the World Bank. Qualitative data were thematically analysed using NVivo 12, while secondary data underwent content and trend analysis. Triangulation was employed to enhance validity across macroeconomic and household-level outcomes. The results are organised around four thematic areas: (i) macroeconomic and fiscal effects; (ii) inflationary dynamics and cost transmission; (iii) household welfare and social impacts; and (iv) policy implementation and public perception.

Theme One: Macroeconomic and Fiscal Effects of Fuel Subsidy Removal

The removal of fuel subsidies in May 2023 constituted the most significant fiscal adjustment under the Tinubu administration, with immediate and measurable consequences for federal and sub-national revenue flows. Prior to the reform, petroleum subsidies consumed an estimated US\$10–12 billion annually, severely constraining public expenditure and limiting fiscal headroom for capital development (Sienaert et

al., 2023). Secondary data from FAAC and the Federal Government of Nigeria confirm that subsidy removal generated immediate improvements in fiscal capacity at multiple tiers of government.

The most prominent macroeconomic outcome documented in secondary sources is the substantial increase in FAAC allocations following subsidy removal. Total FAAC disbursements rose from ₦6.16 trillion in 2023 to ₦15.26 trillion in 2024, an increase of 55.2 per cent (Olatunde et al., 2026). This additional revenue enabled state and local governments to address long-standing salary arrears, service accumulated debts, and resume previously stalled infrastructure projects. These findings affirm the fiscal rationale advanced by the Federal Government of Nigeria (2023), which presented subsidy removal as a prerequisite for meaningful sub-national fiscal relief. Comparative evidence from Indonesia and Ghana corroborates these fiscal gains. In both cases, the elimination of fuel subsidies expanded available public resources; however, the adequacy of complementary social protection mechanisms determined the degree of social stability achieved (Sienaert et al., 2023; Percy & Gloria, 2024). In Nigeria's case, the rapid improvement in revenue flows was real, but the benefits were concentrated at the institutional level and did not immediately translate into relief for household economies.

Despite measurable fiscal improvements, the macroeconomic environment was simultaneously characterised by intensifying inflationary pressures. Petrol prices surged from approximately ₦168 per litre to over ₦580 per litre within months of subsidy removal (The Guardian Nigeria, 2023), increasing transportation, production, and distribution costs across all economic sectors. National Bureau of Statistics data confirm that headline inflation rose from 19.5 per cent in 2023 to 31.2 per cent by late 2024, while food inflation climbed from 21.2 per cent to 34.5 per cent over the same period (NBS, 2022). These outcomes are consistent with cost-push inflation theory, in which rising input costs—particularly fuel—are passed through to consumers as higher prices for goods and services. The Price Elasticity of Demand (PED) framework further explains this dynamic: with fuel demand largely inelastic in Nigeria, households and firms continued to purchase fuel despite steep price increases, amplifying inflationary transmission across sectors (Maina & Yusuf, 2023; Abdul et al., 2025).

Table 1: Macroeconomic Indicators Before and After Fuel Subsidy Removal

Indicator	2023 (Pre-Removal)	2024 (Post-Removal)	% Change
FAAC Allocations (₦ trillion)	6.16	15.26	+55.2%
Headline Inflation (%)	19.5	31.2	+11.7 pp
Food Inflation (%)	21.2	34.5	+13.3 pp
Petrol Price (₦/litre)	168	580	+245.2%

Source: Olatunde et al. (2026); NBS (2022); The Guardian Nigeria (2023); Federal Government of Nigeria (2022). pp = percentage points.

The data in Table 1 illustrate a dual reality: while fiscal allocations increased substantially, the same reform generated severe inflationary pressures across the economy. Transportation and logistics experienced the most acute cost shocks, with fare increases sharply raising commuting costs for urban households (Uwak et al., 2024). Manufacturing also faced higher operational costs from energy and transport inputs, reducing profit margins and sectoral competitiveness. These findings affirm that subsidy removal delivered demonstrable macroeconomic gains alongside pronounced short-term disruptions, particularly for vulnerable economic actors.

Theme Two: Inflationary Dynamics and Cost Transmission

The inflationary effects of fuel subsidy removal were pervasive, operating through multiple channels including transportation, food distribution, manufacturing, and energy supply. Given the centrality of petroleum to Nigeria's logistical and production chains, price shocks at the pump are transmitted broadly and rapidly across the economy. This theme examines both the mechanisms and the distributional consequences of inflationary pressures documented in the period from 2023 to 2025. Fuel serves as a critical input for transportation, logistics, manufacturing, and electricity generation in Nigeria (Yakubu, 2025; Asiegbu & Udem, 2026). The tripling of petrol prices in 2023 constituted a systemic supply-side shock. Cost-push inflation, driven by rising input costs, propagated across the entire supply chain: higher fuel costs increased freight and transportation charges, which in turn elevated the retail prices of food, household goods, and industrial products.



Urban commuters bore particularly visible impacts. Yakubu (2025) and Asiegbu and Udem (2026) report that transport fares for urban commuters rose by 50-70 per cent in the months following the removal of subsidies. For small and medium enterprises (SMEs) in logistics and manufacturing, these costs manifested as reduced profit margins, constrained employment capacity, and higher market prices for finished goods. Interview respondents in this research confirmed that informal sector workers and market traders passed rising transport and operational costs directly to consumers, with one respondent noting that the cost of transporting produce to urban markets had effectively eroded their net earnings.

The inflationary burden was not borne uniformly. Low- and middle-income households were disproportionately affected because a higher proportion of their budgets is devoted to non-discretionary expenditures—food, transport, and energy—which experienced the sharpest price increases (Uwak et al., 2024). NBS data confirm that food inflation reaching 34.5 per cent by late 2024 had the most severe consequences for households in the lower-income quintiles, where food expenditure constitutes the largest share of total household spending (NBS, 2022). The agricultural sector was especially vulnerable to inflationary transmission. Nigeria's food supply chain relies heavily on road transport to move produce from farms to urban markets. Higher fuel costs increased logistics expenses at each node of this chain, worsening urban food insecurity and contributing to what respondents described as a compounding affordability crisis (Yakubu, 2025; Asiegbu & Udem, 2026). Wage growth did not keep pace with inflation, leaving informal workers and fixed-income households with substantially reduced real incomes. These findings align with existing literature emphasising that fuel subsidy reforms generate acute inflationary pressures in the absence of effective social protection (Percy & Gloria, 2024; Abdul et al., 2025). Palliative measures introduced by the government—discussed further in Theme Four—were assessed as insufficient, delayed, and unevenly distributed, thereby limiting their efficacy as inflation-mitigation tools (Thisdaylive, 2023).

Theme Three: Household Welfare and Social Impacts

The social consequences of fuel subsidy removal were immediate, widespread, and differentially distributed across income groups, geographic settings, and demographic categories. Primary data from interviews and questionnaires provide granular evidence of household-level experiences that complement the macroeconomic picture. This theme examines rising household expenditure, differential vulnerability, coping strategies, and secondary social effects across the period under review. Respondents across all income categories reported sharp increases in household expenditure following the removal of fuel subsidies. Urban households experienced increases in commuting costs of up to 70 per cent, while rural households faced greater difficulty accessing markets, health facilities, and educational institutions due to higher transport fares (Fasina et al., 2020). Fuel's role as a key input for transporting food, water, and other necessities drove living costs upward nationwide (Yakubu, 2025; Asiegbu & Udem, 2026).

Rising energy costs also affected access to electricity, water supply, and cooking fuels. By late 2024, food inflation at 34.5 per cent had disproportionately reduced the purchasing power of households dependent on daily market purchases (NBS, 2022). Reduced disposable income compelled many families to prioritise immediate consumption needs, curtailing expenditure on education, preventive healthcare, savings, and nutrition. Interview data indicate that households with children and elderly dependants experienced particularly acute welfare reductions, as spending cuts affected school fees, medical consultations, and dietary diversity. The social impacts of subsidy removal were unevenly distributed across the population. Qualitative evidence from this research, corroborated by existing literature, identifies informal sector workers, low-income urban households, rural dwellers, women, and children as the most severely affected groups (Udenigwe et al., 2021; Percy & Gloria, 2024). Informal workers relying on daily income had no financial buffer against rising costs, while rural households faced compounded disadvantages due to increased transport costs and reduced market access (Yakubu, 2025; Asiegbu & Udem, 2026).

Households headed by women, single-parent families, and those with multiple dependents reported the greatest difficulty adjusting to post-reform economic conditions. Percy and Gloria (2024) identify potential long-term consequences, including malnutrition, increased school dropout rates, and deteriorating public health outcomes, particularly in communities with limited access to social services. These concerns were echoed by interview respondents, several of whom cited the withdrawal of children from private schools as a direct consequence of reduced household incomes. In response to economic pressures, households adopted a range of coping strategies. While these strategies reflect household resilience, they carry secondary costs. Reduced discretionary spending suppressed local economic activity; shared transportation arrangements increased commuting times; and deferred educational expenses risk compounding long-term human capital deficits. SMEs adopted parallel strategies—passing higher costs to

consumers, reducing production volumes, or postponing expansion—which constrained employment and output (Abdul et al., 2025). Critically, these coping mechanisms provided temporary rather than structural relief, and higher-income or multi-earner households proved significantly better placed to absorb shocks, underscoring the role of pre-existing inequality in determining welfare outcomes.

Theme Four: Policy Implementation and Public Perception

Beyond its economic dimensions, the removal of fuel subsidies under the Tinubu administration was a significant governance event that tested the relationship between the state and citizens, as well as between fiscal rationality and political legitimacy. This theme examines how the policy was designed and communicated, how government mitigation measures were received, and how public perception evolved amid economic hardship and institutional trust. The Federal Government of Nigeria (2023) framed subsidy removal as a corrective fiscal measure, contending that petroleum subsidies had become unsustainable, consuming billions of naira annually while disproportionately benefiting wealthier urban households with access to private vehicles. The government presented removal as essential to redirecting resources to infrastructure, healthcare, and education, and to increasing sub-national fiscal allocations. However, implementation was abrupt rather than phased. Critics, including labour unions, civil society organisations, and academic commentators, consistently noted the absence of a structured transition period and the inadequacy of pre-announced social cushioning for vulnerable populations (Thisdaylive, 2023). The contrast with more gradual subsidy reform experiences in Indonesia underscores the importance of sequencing: jurisdictions that phased reforms over multiple years while simultaneously scaling social protection experienced significantly lower levels of social disruption (Sienaert et al., 2023; Percy & Gloria, 2024). Following the removal of subsidies, the government announced several mitigation measures, including targeted cash transfers to vulnerable households, transport subsidies for selected categories of operators, and the provision of essential commodities at designated urban distribution centres. However, primary data from this research reveal that these measures were largely perceived as insufficient, poorly communicated, and inequitably administered.

The government's communication approach relied principally on official press releases and ministerial statements to explain the rationale for the reform (Federal Government of Nigeria, 2023). Scholars and respondents alike characterised this top-down approach as inadequate for a welfare-sensitive policy of this magnitude (Percy & Gloria, 2024). The absence of meaningful consultation with labour unions, civil society groups, and consumer representatives reinforced perceptions that the reform was abrupt, inequitable, or politically motivated (Thisdaylive, 2023). Public perception was further shaped by historical grievances over governance and resource management in Nigeria, and by the absence of visible social protection. Surveys cited in the literature indicate that while a segment of the public acknowledged the long-term fiscal rationale for subsidy removal, the majority expressed dissatisfaction attributable to weak cushioning, inadequate communication, and perceived government insensitivity (Percy & Gloria, 2024). Interview data from this research broadly corroborate this pattern: respondents recognised the fiscal logic of the reform in principle but expressed significant frustration with its execution and communication. These outcomes align with Public Choice Theory's analysis of the tension between economically rational policies and their political acceptability (Buchanan & Tullock, 1965). Abrupt implementation, limited stakeholder engagement, and weak palliative delivery amplified public backlash and entrenched perceptions of inequity, ultimately undermining the broader social contract surrounding the reform.

Summary of Thematic Findings

The four themes collectively present a nuanced picture of fuel subsidy removal in Nigeria under the Tinubu administration: a reform that achieved measurable fiscal objectives while generating high and unequally distributed social costs. Table 3 below provides a synthesised overview of the principal findings, supporting evidence, and identified research gaps across the four thematic areas.

Table 3: Summary of Thematic Findings and Research Gaps

Theme	Key Findings	Principal Evidence	Identified Gaps
1. Macroeconomic & Fiscal Effects	FAAC allocations increased 55.2%; fiscal space expanded. Severe inflationary pressures emerged simultaneously.	Olatunde et al. (2026). NBS (2022); FGN (2023); Sienaert et al. (2023)	Limited sector-specific and household-level analysis of fiscal transmission.
2. Inflationary Dynamics	Petrol prices tripled; headline inflation reached 31.2%; food inflation 34.5%. Cost-push effects are pervasive.	NBS (2022); The Guardian Nigeria (2023); (Yakubu, 2025); (Asiegbu & Udem, 2026); Abdul et al. (2025)	Scarcity of longitudinal and regional analyses of inflation impact.
3. Household Welfare	Sharp rise in household expenditure; vulnerable groups disproportionately affected; widespread adoption of coping strategies.	Uwak et al. (2024). Yakubu (2025); Asiegbu and Udem (2026); NBS (2022)	Limited primary qualitative evidence; long-term health, education, and nutrition outcomes untracked.
4. Policy Implementation & Perception	Abrupt implementation; palliative measures insufficient and inaccessible; public dissatisfaction high.	Thisdaylive (2023); Percy and Gloria (2024); Buchanan and Tullock (1965)	Lack of evaluation of communication effectiveness and palliative programme performance.

Source: Synthesised from secondary sources (2020–2025).

Cross-Cutting Observations

Several cross-cutting observations emerge from the thematic analysis. First, the reform's benefits and costs were asymmetrically distributed: fiscal gains accrued primarily at the institutional and governmental levels. In contrast, immediate economic costs were concentrated among low-income and informal-sector households. This distributional asymmetry has important implications for the social sustainability of the reform over the medium term. Second, the adequacy of compensatory measures proved decisive in shaping both welfare outcomes and public perception. Nigeria's limited, delayed, and unevenly distributed palliative interventions stand in contrast to the more structured social protection systems deployed alongside subsidy reforms in comparable developing economies. The findings reinforce scholarly consensus that phased implementation, transparent communication, and targeted social cushioning are essential prerequisites for equitable subsidy reform (Percy & Gloria, 2024; Abdul et al., 2025; Sienaert et al., 2023). Third, this research identifies significant gaps in the existing evidence base. Most prior analyses rely on national aggregate statistics, offering limited insight into regional, demographic, and sector-specific welfare dynamics. Primary qualitative evidence on citizens' lived experiences, coping strategies, and perceptions of institutional legitimacy remains scarce. Longitudinal tracking of outcomes in health, education, and household nutrition beyond the immediate post-reform period is similarly absent from the literature. This research integrates primary qualitative evidence with secondary macroeconomic data to address these gaps, though further research—particularly longitudinal and regionally disaggregated work—remains necessary.

Discussion

The findings of this research reinforce the growing body of literature which argues that the removal of fuel subsidies in Nigeria generates a complex interaction between fiscal improvement and socio-economic hardship. This research confirms that while the Tinubu administration achieved measurable gains in fiscal capacity following subsidy removal, these gains were accompanied by severe inflationary pressures and a decline in household welfare. The findings on fiscal capacity align closely with the studies by Sienaert et al. (2023), Percy and Gloria (2024), and Olatunde et al. (2026), all of whom argued that fuel subsidies imposed unsustainable fiscal burdens on the Nigerian government. This research similarly found that subsidy removal significantly expanded government revenue and fiscal space, particularly through increased FAAC allocations to federal, state, and local governments. The increase in FAAC disbursements from ₦6.16 trillion to ₦15.26 trillion supports the argument advanced by Olatunde et al. (2026) that the removal of subsidies improved distributable revenue and strengthened sub-national fiscal liquidity. Likewise, the findings correspond with the World Bank position presented by Sienaert et al. (2023), which



maintained that subsidy reform was necessary to redirect public expenditure toward developmental priorities such as infrastructure, healthcare, and education. However, while this research agrees with prior studies regarding fiscal gains, it differs in its emphasis on the uneven distribution of those benefits. Whereas Percy and Gloria (2024) focused largely on macro-fiscal sustainability, this research demonstrates that the fiscal improvements remained concentrated at the institutional level and did not immediately translate into improved living conditions for ordinary citizens. This distinction is significant because it highlights the disconnect between macroeconomic reform success and household-level welfare outcomes. The present research extends the earlier literature by integrating macroeconomic and household perspectives within a single analytical framework. The findings on inflationary dynamics also correspond strongly with previous studies.

This research confirms the position of Goodwin et al. (2019) that increases in fuel prices generate cost-push inflation through rising transportation and production costs. The sharp increase in petrol prices after the subsidy removal led to corresponding increases in transportation costs, food prices, and manufacturing expenses, ultimately contributing to headline inflation of 31.2 per cent and food inflation of 34.5 per cent. These findings are consistent with the conclusions of Abdul K. et al. (2025), who found that the removal of fuel subsidies intensified inflationary pressures across the Nigerian economy. Similarly, the findings corroborate the studies by Yakubu (2025) and Asiegbu and Udem (2026), which reported that the transportation and logistics sectors experienced the most severe inflationary shocks following the removal of subsidies. This research also found that transport fares rose substantially, particularly in urban centres, thereby increasing the cost of goods and reducing households' purchasing power. The present findings further support the argument of Maina and Yusuf (2023) regarding the inelastic nature of fuel demand in Nigeria. Despite the steep increase in petrol prices, households and firms continued to consume fuel due to limited alternatives, thereby intensifying inflationary transmission across sectors. Nevertheless, this research differs from some earlier macroeconomic analyses by demonstrating that inflationary effects were not uniform across all population groups. While prior studies focused mainly on aggregate inflation indicators, this research shows that low-income households, informal workers, women, and rural populations experienced disproportionately higher welfare losses because a larger share of their income is devoted to food, transportation, and energy expenditures. This finding deepens the analysis offered by Abdul et al. (2025) and Yakubu (2025) by incorporating qualitative evidence on differential vulnerability and lived experiences.

The findings on household welfare strongly support the arguments of Uwak et al. (2024), Percy and Gloria (2024), and Yakubu (2025), all of whom argued that subsidy removal disproportionately affects vulnerable households. This research found that rising transport fares, food prices, and energy costs significantly reduced household purchasing power and compelled many families to reduce spending on healthcare, education, and nutrition. These outcomes correspond with the observations of Percy and Gloria (2024), who warned that subsidy reforms without adequate social protection could worsen poverty, inequality, and social vulnerability. Furthermore, the findings align with the work of Fasina et al. (2020), who highlighted the importance of transportation systems in determining socio-economic accessibility in Nigeria. This research similarly found that rural households experienced increased difficulty accessing markets, schools, and healthcare facilities due to rising transportation costs. In the same vein, the research supports the conclusions of Udenigwe et al. (2021), who emphasised how weak infrastructure and economic barriers affect vulnerable populations in rural Nigeria. However, this research contributes additional insight beyond prior literature by documenting the coping strategies adopted by households and small businesses following subsidy removal. Unlike many earlier studies that focused predominantly on macroeconomic outcomes, this research demonstrates how households reduced discretionary spending, shared transportation, postponed educational expenses, and adjusted consumption patterns in response to inflationary shocks.

The inclusion of interview-based evidence therefore enriches existing scholarship by capturing behavioural and social adaptation mechanisms that are often absent from secondary data studies. The findings relating to policy implementation and public perception are also broadly consistent with previous studies. The research agrees with Thisdaylive (2023), Uwak et al. (2024), and Percy and Gloria (2024), all of which criticised the abrupt implementation of subsidy removal and the inadequacy of palliative measures. Respondents in this research similarly perceived government interventions such as cash transfers and transport subsidies as insufficient, poorly coordinated, and inequitably distributed. These findings reinforce the argument that policy sequencing and implementation are critical determinants of reform legitimacy and public acceptance. In addition, the findings support the propositions of Buchanan and Tullock (1965) under Public Choice Theory, which explains the tension between economically rational policies and political acceptability. While the government justified the removal of subsidies on fiscal grounds, inadequate



stakeholder consultation and weak social safeguards contributed to widespread dissatisfaction and a decline in public trust.

The findings also align with comparative international evidence cited by Sienaert et al. (2023), which showed that countries such as Indonesia achieved relatively smoother subsidy reforms because reforms were implemented gradually and accompanied by stronger social protection systems. A major difference between this research and several previous studies lies in its methodological integration of primary qualitative evidence with secondary macroeconomic data. Most existing studies on fuel subsidy removal in Nigeria rely heavily on aggregate economic indicators and conceptual analysis. In contrast, this research combines interviews, questionnaires, thematic analysis, and secondary statistical evidence, thereby providing a more comprehensive understanding of both institutional outcomes and lived social realities. Consequently, the research contributes to the literature by bridging the gap between macroeconomic fiscal analysis and household-level welfare experiences. Overall, the discussion demonstrates that the findings of this research largely corroborate existing scholarship on fuel subsidy removal in Nigeria, particularly regarding fiscal expansion, inflationary pressures, and welfare deterioration. However, the research also extends previous literature by emphasising distributional inequalities, household coping mechanisms, and the disconnect between institutional fiscal gains and citizen welfare outcomes. The evidence suggests that although subsidy removal may improve fiscal sustainability in the long term, its social legitimacy and developmental effectiveness depend heavily on the adequacy of social protection, the sequencing of policies, and inclusive implementation strategies.

CONCLUSION

This research examined the effects of the removal of fuel subsidies in Nigeria under the Tinubu administration between 2023 and 2025, with a particular focus on inflation, fiscal capacity, household welfare, and public perception. Drawing from both primary qualitative evidence and secondary macroeconomic data, the research demonstrates that fuel subsidy removal produced a combination of measurable fiscal gains and severe socio-economic challenges. The findings confirm that while the policy improved government revenue generation and expanded fiscal space through increased FAAC allocations, it simultaneously intensified inflationary pressures and significantly reduced household welfare, especially among vulnerable populations. One of the most important findings of the research is that the removal of subsidies substantially strengthened fiscal capacity at the institutional level. The sharp increase in FAAC allocations provided federal and sub-national governments with greater revenue for debt servicing, salary payments, and infrastructure development. This finding supports the argument that fuel subsidies had become fiscally unsustainable and constrained developmental expenditure. However, the research also found that these institutional fiscal gains did not immediately translate into improved living standards for ordinary citizens, thereby revealing a significant disconnect between macroeconomic reform outcomes and household welfare realities. A second major finding is that the removal of fuel subsidies led to severe inflationary effects throughout the Nigerian economy.

The rapid increase in petrol prices triggered widespread cost-push inflation, affecting transportation, food distribution, manufacturing, and energy costs. Headline and food inflation increased significantly during the post-reform period, with low-income households bearing the greatest burden because a larger share of their income is spent on essential goods and services. The research establishes that the inflationary consequences of subsidy removal were not evenly distributed but were disproportionately borne by economically vulnerable groups. The research contributes to existing scholarship in several important ways. First, it provides an integrated analytical framework that simultaneously examines inflation, fiscal capacity, household welfare, and policy perception, rather than treating these dimensions separately as many previous studies have done. By connecting macroeconomic outcomes with household-level experiences, the research offers a more holistic understanding of the multidimensional impacts of fuel subsidy removal in Nigeria. Second, the research contributes methodologically by combining primary qualitative evidence with secondary macroeconomic analysis. While many existing studies rely predominantly on aggregate statistics and conceptual arguments, this research incorporates interview and questionnaire data that capture the lived experiences, coping mechanisms, and perceptions of affected households.

This integration of qualitative and quantitative evidence enriches the understanding of the reform beyond purely economic indicators. Third, the research contributes theoretically by applying both Price Elasticity of Demand theory and Public Choice Theory to explain the economic and political dimensions of subsidy reform. The research demonstrates how the inelasticity of fuel demand amplified inflationary transmission across sectors, while also showing that implementation failures and weak social cushioning undermined public acceptance of the reform. In doing so, the research advances understanding of the



relationship between fiscal reform, social welfare, and political legitimacy in resource-dependent developing economies. This research concludes that although removing fuel subsidies may improve fiscal sustainability and create opportunities for long-term economic restructuring, the success of such a policy depends largely on the effectiveness of accompanying social protection measures, policy sequencing, stakeholder engagement, and transparent governance. Without adequate mechanisms to protect vulnerable populations, the immediate social and economic costs of reform risk undermining both public trust and the policy's broader developmental objectives. The research therefore recommends that future subsidy reforms in Nigeria adopt a phased, inclusive implementation strategy, supported by targeted welfare interventions, institutional accountability, and sustained public communication, to balance fiscal efficiency with social equity.

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