Oil subsidy removal and corruption: Unveiling the link between politics and governance in Nigeria

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Abstract
The main objective of this study is to critically examine the dynamics of fuel subsidy removal in Nigeria, with particular emphasis on its link to corruption, politics, and governance, as well as its implications for the socio-economic development of the people. The study is anchored on the Elite Theory, which posits that public policies are often shaped by a small ruling class whose interests may take precedence over the welfare of the general population. In other words, the design and implementation of fuel subsidy policies are influenced by political calculations, power dynamics, and the pursuit of personal or group gain, rather than the broader socio-economic development of citizens. The empirical analysis indicates that subsidy mismanagement, diversion of funds, and lack of transparency have disproportionately affected low- and middle-income Nigerians, while elite actors benefit from policy decisions. The study adopts a descriptive research design and relies primarily on secondary data from government reports, policy documents, academic literature, and credible research publications. The study concludes that fuel subsidy removal is not merely an economic adjustment but a political process intricately linked to corruption and governance challenges. It recommends that the government should design and implement targeted social safety net programs to cushion the impact of fuel subsidy removal on the most vulnerable groups, ensuring that the poor and marginalized are protected from sudden price shocks. Overall, efforts should be intensified to rehabilitate existing refineries and establish new ones, thereby reducing Nigeria's dependence on imported fuel and minimizing the economic distortions and governance challenges associated with subsidy management.
Keywords: Oil subsidy removal, corruption, politics, governance, elite theory, socio-economic development

Introduction
Governments all over the world subsidize key sectors of the economy to ensure that citizens have access to goods and services at affordable prices. Nonetheless, since the return of democracy in 1999, fuel subsidy has remained one of the most contentious policy issues dominating public discourse in Nigeria, especially within oil-exporting developing states. The Nigerian government has struggled to effectively manage its fuel subsidy policy, leading to various socio-economic challenges and widespread concerns about corruption and political manipulation, in the administration of the subsidy regime. Paradoxically, there has been an increasing global call for fuel subsidy reforms, as policymakers continue to express concerns regarding the efficacy of such programmes and their implications for national development and fiscal transparency in countries like Nigeria. Over the years, the Nigerian government has frequently provided fossil fuel at below-cost rates to mitigate the impact of rising global oil prices on citizens. However, attempts to remove fuel subsidy have often been met with public resistance and nationwide protests, driven by fears of increased fuel prices, inflation, and the deteriorating socio-economic wellbeing of the populace.

Successive Nigerian governments have therefore continued to rely on fuel subsidy as a political instrument to maintain the illusion of affordability and social protection. Thus, the subsidy on petroleum products, particularly premium motor spirit (PMS), has been a central component of government policy aimed at ensuring accessibility and affordability for the general population. However, beneath this welfare narrative lies a deeply entrenched system of corruption and elite capture, where political actors and their cronies exploit the subsidy framework for personal enrichment and political patronage. To this end, policymakers in Nigeria are often reluctant to remove fuel subsidies or implement subsidy reforms because such actions could lead to a significant increase in fuel and electricity prices, thereby causing economic hardship for low-income earners and vulnerable members of society (Elendu, 2023). In the words of Omotosho (2020), fuel subsidy removal could result in higher macroeconomic instability through rising energy prices, which would, in turn, negatively affect the socio-economic development of the people. Therefore, the removal of fuel subsidies has continually been confronted with stiff resistance due to its potential impact on the living conditions of ordinary Nigerians. McCulloch, Moerenhout, and Yang (2021), succinctly note that many Nigerian citizens oppose fuel subsidy reforms because they perceive the government as inefficient, corrupt, and lacking the capability to undertake transparent reforms.

In a similar vein, Ovaga and Okechukwu (2022), aver that the fuel subsidy regime itself breeds corruption and political manipulation, as a network of corrupt elites deliberately frustrates the functioning of existing refineries and undermines efforts to establish new ones. This, according to the authors, ensures the continuation of fuel importation and sustains the subsidy system for the benefit of rent-seeking politicians and their cronies. Consequently, these same vested interests sabotage the revitalization of domestic refining capacity, thereby keeping Nigeria perpetually dependent on imported refined petroleum products to meet domestic needs.

Moreover, critics and civil society actors have raised concerns about the potential impact of the policy on the poor and vulnerable segments of society, who depend heavily on subsidized fossil fuel for transportation, business, and daily survival. The removal of subsidies, therefore, disproportionately affects low-income households, contributing to a significant increase in the cost of living and widening the inequality gap between the rich and the poor. Sequel to the above, the manner in which the fuel subsidy removal was announced in 2023 without first laying down adequate economic policy measures to cushion the effect on citizens raised widespread concerns and sparked protests among well-meaning Nigerians. In his inaugural address on May 29, 2023, President Ahmed Bola Tinubu declared the complete elimination of fuel subsidies, asserting that the policy had long benefited a wealthy few at the expense of the masses. According to him, the subsidy had become unsustainable and could no longer be justified as national resources dwindled.

He maintained that excess revenues previously spent on subsidy payments would be re-invested in public infrastructure, education, healthcare, and other sectors that would improve the living conditions of millions of Nigerians. Regrettably, however, the Nigerian government lacks the financial capacity to sustain subsidy payments, as it was already indebted to the Nigerian National Petroleum Company (NNPC) to the tune of ₦2.8 trillion in outstanding subsidy arrears. This situation underscores the complex interplay between corruption, governance inefficiency, and fiscal mismanagement, which has characterized Nigeria's fuel subsidy regime for decades. The political class, rather than prioritizing the welfare of citizens, has often manipulated subsidy policies for electoral advantage and personal gain—thereby reinforcing the deep-seated connection between oil subsidy, corruption, and governance failure in Nigeria.

In consonance with the above position, Kabir (2023), agreed with Bola (2023), that it was vital to eliminate the gasoline subsidy due to its potential impacts on the Nigerian government and society at large. He further postulates that the federal government spends more on fuel subsidies than it does on education, health, and infrastructure development; and that the administration of Bola Ahmed Tinubu should stick to its decision to eliminate the fuel subsidy. To this end, eliminating the gasoline subsidy and redirecting the money saved towards agriculture, social welfare schemes, road construction, public transportation subsidies, education, and healthcare services would have a more significant impact on the socio-economic development of the people in Nigeria. Obi (2023) declared unequivocally that since fuel subsidies are organized crimes, the elimination of gasoline subsidies is extremely beneficial to Nigerians. He remarked that cabals were looting the country's resources under the guise of fuel subsidy payments and demonstrated statistically that Nigerians do not consume the quantity of petroleum that is often claimed. This clearly shows how corruption has infiltrated the governance structure, where political elites manipulate subsidy frameworks to serve private interests rather than public good. Thus, the issue of subsidy removal goes beyond economic reform — it unveils the link between politics and governance in Nigeria, as it exposes the complex web of political manipulation, elite capture, and administrative inefficiency that have shaped public policy in the oil sector for decades.

Conversely, however, Itumo and Onyejiuba (2019), and Sheyin (2018), advance the conviction that the fuel subsidy scheme has served as a ploy to siphon Nigeria's hard-earned foreign exchange into private accounts abroad. According to Elendu (2023), the new Nigerian government should have implemented various relieving policies to mitigate the effect of subsidy removal because the policy has caused widespread hardship and difficulty for Nigerians. Sequel to the above, the Nigerian government ought to have provided a palliative framework to cushion the painful impact of subsidy removal on the citizens. It also claimed to be paying heavily to subsidize kerosene through the Nigerian National Petroleum Corporation (NNPC). According to Omoniji (2012), the federal government argued that the fuel subsidy policy had constrained its ability to address key developmental challenges such as road construction, power generation, agriculture, and refinery rehabilitation. Paradoxically, as a result of this reality, the federal government on January 1, 2012, dramatically announced the end of fuel subsidy with the intention of using the excess revenue to develop other sectors of the economy and ensure socio-economic development (Onanuga, 2012). However, despite such promises, the continued mismanagement of subsidy funds and lack of transparent governance mechanisms have undermined public trust. Therefore, the oil subsidy issue serves as a prism through which the link between politics and governance in Nigeria is unveiled, demonstrating how corruption, political patronage, and weak institutional oversight have hindered effective economic management and good governance.

Table 1: Showing Changes in Prices of Fuel from the Year 1973 - 2023.

YEAR.	REGIME	PRICES (increase < >)		
1973	Gowon	6k	>	8.45k
1976	Murtala Mohammed	8.45	>	9k
1978	Obasanjo	9k	>	15.3k
1982	Shehu	15.3k	>	20k
1986	Ibrahim Babangida.	20k	>	39.5k
1988.	Ibrahim Babanhida	39.5k	>	42k.
1988	Ibrahim Babanhida	39.5k	>	42k.
1989.	Ibrahim Banginda.	42k	>	60k

1993	Chief Enerst Shonekan	60k	>	#5
1993	Abacha regime	#5	>	#15.
1994	Abacha(reduced)	#11	>	#15
1998.	Abdul Salami(increased).	#11	>	#25
1998.	Abdul Salami(increased).	#11	>	#25
2000	Obasanjor(increased).	#25	>	#30
2000	ObasaShagarinjor (reduced)	#30	> #25	< & #22.
2002	Obasanjor (increased)	#22	>	#26.
2003.	Obasanjor (increased)	#26	>	#42
2004	Obasanjo(increased)	#42	>	#50.
2004	Obasanjo.	#50	>	#65
2007.	Obasanjo.	#65	>	#75
2007	Yaradua(reduced)	#65	>	#75
2012.	Good luck Jonathan.	#65	>	#141
2012	Good luck Jonathan (reduced)	#97	>	#141
2016	Buhari (increased).	#145		
2023.	Tinibu (increased)	#557	then to	#617 above

Source: Field Survey, (2024).

Therefore, one of the primary challenges of fuel subsidy removal is the immediate impact on the cost of living and its ripple effects on households and small businesses across Nigeria. Fuel subsidy removal has contributed to an inflationary trend; as the cost of fuel rises, the prices of goods and services increase because nearly every sector depends on energy for production and distribution. Against this backdrop, since fuel subsidy has been a significant drain on public finances, the government must ensure that funds saved from subsidy removal are utilized effectively. Failure to do so could lead to further corruption and mismanagement of public funds, undermining the very governance objectives that subsidy reform is meant to achieve. To cushion the effects of subsidy removal on citizens, the government has implemented social intervention funds and palliative measures. However, such payouts have in the past been vulnerable to corruption and poor targeting, reinforcing public skepticism about the transparency and effectiveness of mitigation schemes.

Brazilian and Onyeji (2023), note that funds previously used for subsidy payments could be channeled into public infrastructure and productive public spending. Their position is premised on the fact that, prior to subsidy removal, many sectors underperformed due to insufficient government revenue. Thus, with subsidy reform, it is expected that freed resources would be redirected to sectors in need of public investment. In other words, reduced subsidy outlays could lower reliance on external borrowing and free up fiscal space for development expenditure. By contrast, continued subsidization places a substantial burden on government finances and crowds out resources intended for socio-economic development. Nevertheless, despite several attempts at partial deregulation and reform, the issue remains unresolved and continues to pose significant challenges for governance and socio-economic development. Governments worldwide subsidize critical sectors to improve affordability of essential services, but in Nigeria fuel subsidies have imposed large fiscal costs—estimated at about $10 billion annually (Falana & Ojo, 2023). Civic-tech data indicate large and fluctuating subsidy expenditures in recent years: ₦316 billion (2015–2017), ₦722 billion (2018), ₦578 billion (2019), ₦134 billion (2020), ₦1.42 trillion (2021), ₦4.3 trillion (2022), and ₦3.6 trillion (2023). These figures suggest an average monthly fiscal outlay in the hundreds of billions of naira, underscoring the unsustainability of the policy.

Su et al. (2020), argue that subsidy policy was originally intended to cushion the macroeconomic impact of oil-price shocks by regulating domestic prices through expected open market price (EOMP) mechanisms administered by the Petroleum Products Pricing and Regulatory Agency (PPPRA). They maintain that allowing market forces to determine the price of Premium Motor Spirit (PMS) would make the sector more competitive and reduce opportunities for corruption arising from inflated import volumes under the subsidy regime. Adenikinju (2012), likewise emphasizes the need for well-designed palliatives to protect poor and vulnerable households from the immediate adverse effects of price liberalization. It is against this policy and fiscal context that this research seeks to investigate how subsidy palliatives can mitigate the adverse effects of fuel subsidy removal and, crucially, how the politics surrounding subsidy administration shapes governance outcomes. By examining the allocation and management of freed resources, the study aims to unveil the link between politics and governance in Nigeria, showing how corrupt practices, political patronage, and weak institutional oversight influence whether subsidy reform delivers intended public benefits or simply reallocates rents among elites.

Problem statement

The removal of fuel subsidies in Nigeria has had profound macroeconomic and socio-economic implications. One immediate consequence is the reduction in the purchasing power of citizens, leading to higher costs for essential goods and services. With rising fuel prices, disposable income decreases, causing reductions in consumption, household expenditure, and overall aggregate demand. This weakens consumer demand for goods and services, potentially slowing economic output, lowering gross domestic product (GDP), and

constraining economic growth. The policy of fuel subsidy removal has been met with widespread public resistance and negative reactions across the country. Many citizens perceive the reform as disproportionately affecting vulnerable populations and low-income earners, who rely heavily on subsidized fuel for transportation and livelihoods. The increase in energy costs has fueled inflation, sharp rises in transportation fares, and escalating prices of food and basic commodities, thereby worsening poverty levels. This has generated public discontent and, in some cases, industrial unrest, as workers and the general populace struggle to cope with the sudden economic burden.

Beyond immediate economic effects, the administration of fuel subsidies and the processes surrounding their removal have exposed deep-seated governance challenges and entrenched corruption within political and bureaucratic structures. Mismanagement of subsidy funds and opaque palliative measures have amplified public skepticisms about the integrity of government institutions. The diversion of subsidy-related resources for personal or political gain undermines the effectiveness of reform initiatives and diminishes citizens' trust in government policies. The removal of fuel subsidies has also affected sectors such as education and transportation, with students and other vulnerable groups experiencing higher costs and reduced access to essential services. The uneven and politicized implementation of subsidy reforms highlights the complex interplay between economic policy, governance, and corruption. It is against this backdrop that the study seeks to interrogate the socio-economic and governance implications of fuel subsidy removal in Nigeria. Specifically, the research aims to unveil the link between politics and governance, examining how corrupt practices, political interests, and institutional weaknesses influence both the implementation of subsidy reforms and their impact on the socio-economic well-being of Nigerian citizens.

Objectives

The broad objective of this study is to critically examine the nexus between oil subsidy removal, corruption, and the dynamics of politics and governance in Nigeria, with a view to understanding how political and economic interests shape subsidy policies and influence governance outcomes and public welfare. Specifically, the study is designed to achieve the following subsidiary objectives:

i. To analyze the socio-political and economic factors that influence the formulation and implementation of oil subsidy policies in Nigeria.
ii. To investigate how corruption within the oil subsidy system affects governance, accountability, and transparency in Nigeria.
iii. To assess the effectiveness of government measures and policy interventions aimed at mitigating the socio-economic impacts of subsidy removal on Nigerian citizens.

Literature review

Oil subsidy removal

Conceptually, a subsidy is a financial assistance granted by the government or a public body to support an economic sector, institution, business, or individual, often to achieve specific economic and social policy objectives. Fuel subsidy, in particular, refers to government interventions aimed at lowering the price of energy for consumers or producers, often by keeping prices below market levels or providing financial support to energy companies. Governments worldwide use subsidies as a tool to make essential goods and services affordable and to stabilize the economy. However, in Nigeria, fuel subsidies have become highly politicized, reflecting broader challenges in governance and accountability. The allocation and management of fuel subsidies have historically been linked with political interests, often manipulated by influential actors to advance personal or party objectives rather than the public good. The subsidy system has been plagued by corruption, including over-invoicing of imports, diversion of funds, and rent-seeking behaviors that undermine the intended socio-economic benefits. This corruption creates inefficiencies, increases government expenditure, and erodes public trust in governance structures.

There are various forms of subsidies, including direct financial payments, cross-subsidies, price control mechanisms, in-kind support, and trade subsidies. While each aims to reduce costs and promote accessibility, the Nigerian fuel subsidy system has revealed that the implementation of these policies is often distorted by political and economic interests. This distortion has not only constrained socio-economic development but has also reinforced systemic corruption, where funds meant to benefit the wider populace are captured by a few politically connected individuals. Fuel subsidy removal, therefore, presents both challenges and opportunities for governance in Nigeria. On the one hand, it can lead to immediate increases in fuel prices, raising the cost of transportation and goods, and placing financial strain on households and businesses. On the other hand, removing subsidies creates an opportunity to redirect scarce government resources toward critical sectors such as healthcare, education, infrastructure, and social welfare. The effectiveness of such a policy, however, depends on the government's ability to manage these resources transparently, implement mitigating measures for vulnerable populations, and reduce avenues for corruption. In this context, subsidy removal is not merely an economic reform but also a test of governance. It exposes the intricate link between politics, economic policy, and corruption,

revealing how political decisions influence resource allocation and public welfare. How the government navigates these challenges, ensuring transparency, accountability, and equity, determines whether subsidy removal will promote socio-economic development or exacerbate existing governance deficits.

Governance overview

Governance can be explicitly defined as the structures, processes, and practices through which power is exercised, decisions are made, and resources are managed in a society (Kaufmann, Kraay, & Mastruzzi, 2010). It encompasses the mechanisms, institutions, and relationships that define how authority is exercised, how stakeholders participate in decision-making, and how accountability, transparency, and the rule of law are maintained (World Bank, 2017). Effective governance is not limited to formal government institutions but also involves the quality of interactions between the state, civil society, and the private sector, aiming to promote social welfare, economic development, and public trust (Stoker, 1998). However, in Nigeria, governance has been shaped by a complex interplay of political, economic, and social forces (Ojo, 2019). Public policy decisions, including those concerning oil subsidy programs, are often influenced by political interests and elite bargaining, highlighting the interplay between governance structures and socio-economic outcomes (Akinwale, 2020). Governance in Nigeria is therefore closely linked to accountability, transparency, and public resource management, particularly in sectors critical to the economy such as petroleum (Akindele, 2018).

Good governance is often characterized by transparency, accountability, rule of law, responsiveness, participation, and equity (United Nations Development Programme [UNDP], 1997). Applied to the management of oil subsidies, these principles ensure that public resources are allocated efficiently, corruption is minimized, and the benefits reach the intended population (Ezeani, 2021). Conversely, weak governance provides fertile ground for corruption, rent-seeking, and policy manipulation, allowing politically connected actors to capture public resources for personal or partisan gain (Olowu & Wunsch, 2004). The politicization of oil subsidies in Nigeria exemplifies how governance deficits can exacerbate inequality, misallocate resources, and undermine public trust in institutions (Onuoha, 2019).

Corruption is a particularly salient challenge in the administration of oil subsidies, manifesting in practices such as over-invoicing, diversion of funds, and sustaining inefficient import-dependent supply chains (Transparency International, 2020). These practices distort policy intentions, increase fiscal burdens, and reduce government capacity to invest in critical sectors like education, healthcare, and infrastructure (Obi, 2022). Understanding governance in Nigeria, therefore, requires analyzing how political interests, institutional weaknesses, and policy decisions intersect to influence subsidy management and the socio-economic welfare of citizens. In essence, governance serves as both a lens and a framework for evaluating the relationship between oil subsidy removal, corruption, and politics in Nigeria. By examining governance quality, it becomes possible to understand why subsidy policies are implemented the way they are, how corruption is perpetuated, and what institutional reforms are necessary to enhance transparency, accountability, and equitable development (Akinwale, 2020; Ezeani, 2021).

The politics of oil subsidy removal

Fuel subsidy removal in Nigeria is not merely an economic adjustment but a deeply political issue with profound implications for governance, public trust, and corruption. Subsidy policies have historically been influenced by political interests, with successive governments leveraging them to gain public favor, manage social tensions, or reward specific constituencies (Soremekun, 1995; Iwayemi, 1993). The Nigerian government first introduced fuel subsidies in the 1970s in response to the global oil price shocks of 1973, intending to protect citizens from rising petroleum costs and maintain economic stability (Ozili & Obiora, 2023). Over the decades, fuel subsidies became an entrenched feature of Nigeria's oil-dependent economy. While the policy aimed to ensure affordable energy for citizens, it also created fertile ground for corruption and political manipulation. Subsidy payments grew exponentially, reaching unsustainable levels that strained government finances (Victor, 2009). Evidence shows that political elites, bureaucrats, and private actors often exploited the subsidy system for personal gain, engaging in fraudulent importation schemes, diversion of funds, and other forms of rent-seeking behavior (Ovaga & Okechukwu, 2022). In 2012, under President Goodluck Jonathan, the government attempted a full removal of fuel subsidies, citing rampant corruption and fiscal inefficiency as justification (Adesina, 2012). The removal, however, sparked nationwide protests, highlighting a governance dilemma: while subsidy removal could curb corruption and free resources for critical sectors such as education, healthcare, and infrastructure, it also risked generating public backlash due to immediate economic hardship.

Paradoxically, this tension underscores the intersection of politics and governance policy decisions around subsidies are influenced not only by economic considerations but also by political calculations and public perceptions of government accountability (Soremekun, 2011). Subsequent administrations, including President Muhammadu Buhari's government in 2016 and the deregulation efforts in 2020, continued to grapple with the political economy of subsidies. These reforms were justified as measures to align domestic fuel prices with

international market rates, reduce fiscal pressures, and eliminate corruption associated with the subsidy system (Adeniyi, 2016; Adejumo & Adejumo, 2020). Yet, each removal or adjustment exposed weaknesses in governance structures: lack of transparency, ineffective communication with citizens, and insufficient mechanisms to ensure that freed resources were transparently channeled into development projects (Omotola, 2023). Thus, the politics of fuel subsidy removal in Nigeria illustrates a complex interplay between corruption, governance, and political maneuvering. Subsidy policies are not merely technical or economic interventions; they are instruments through which political actors exert influence, and the challenges of their removal reveal the limitations of governance in ensuring transparency, accountability, and equitable socio-economic development (Ozili & Obiora, 2023; Victor, 2009).

The socio-political and economic factors influencing subsidy policies in Nigeria.

Fuel subsidy policies in Nigeria are shaped by a complex interplay of socio-political and economic factors, which in turn influence governance outcomes and corruption dynamics. The policies are not merely economic instruments designed to stabilize fuel prices; they are also political tools that reflect the country's governance challenges and social realities (Ozili & Obiora, 2023). Understanding these factors is essential for analyzing the controversies surrounding subsidy removal and its implications for corruption and political accountability. Politically, fuel subsidies have historically served as mechanisms for maintaining social stability and political legitimacy. Governments use subsidies to manage public expectations and prevent unrest, particularly in times of economic hardship or electoral cycles (Iyoha & Oriakhi, 2013). The removal of subsidies is often met with widespread protests and resistance, highlighting the delicate balance between political expediency and economic rationality.

Moreover, the management of subsidy funds has frequently been politicized. Allocation and distribution processes are vulnerable to favoritism and elite capture, enabling corrupt practices among political and bureaucratic actors (Okoh & Chukwudi, 2020). For example, the 2012 fuel subsidy probe in Nigeria revealed that billions of dollars intended for subsidies were misappropriated, demonstrating how weak governance structures and political interference facilitate corruption (Okonjo-Iweala, 2012). This politicization of subsidy policies creates a situation where reform efforts, though economically necessary, are constrained by socio-political realities. From an economic perspective, subsidies are influenced by Nigeria's dependence on oil revenues, global oil price volatility, and fiscal pressures. Subsidies are designed to cushion citizens against rising fuel prices and inflationary shocks, but they also impose a significant fiscal burden on the government (Eboh, 2019). The Nigerian government spends billions of dollars annually on subsidies, limiting its capacity to fund infrastructure, education, and healthcare. Consequently, subsidy removal is often justified as a fiscal reform necessary for economic sustainability (Ogundipe & Olawale, 2021; World Bank, 2020).

The impact of corruption in the oil subsidy system on governance, accountability, and transparency in Nigeria

Corruption within Nigeria's oil subsidy system has had profound implications on governance, accountability, and transparency. The petroleum subsidy regime, intended to make fuel affordable and support economic development, has instead become a conduit for financial mismanagement, embezzlement, and political manipulation (Okonjo-Iweala, 2012; Ogundipe & Olawale, 2021). This corruption undermines the effectiveness of governance structures and erodes public trust in state institutions. The mismanagement of subsidy funds directly impacts governance by weakening institutional capacity and diverting resources from critical development initiatives. Reports indicate that billions of dollars allocated for subsidies have been siphoned through fraudulent contracts, ghost beneficiaries, and inflated import bills (World Bank, 2020). Such corruption creates governance gaps, as essential infrastructure, healthcare, and education projects remain underfunded, while political elites benefit disproportionately. Moreover, the politicization of subsidies fosters clientelism and patronage networks, where access to subsidy-related benefits becomes a tool for political loyalty rather than public service (Adenikinju, 2018). This situation reinforces elite dominance in governance and diminishes the ability of state institutions to operate transparently and efficiently.

Corruption in the oil subsidy system exacerbates accountability deficits at both institutional and societal levels. Government agencies tasked with overseeing subsidy administration often lack adequate monitoring mechanisms or are themselves implicated in corrupt practices (Okoh & Chukwudi, 2020). The absence of effective checks and balances allows fraudulent activities to persist, creating a culture of impunity. Additionally, investigative efforts into subsidy corruption, such as the 2012 subsidy probe, have shown that even when malfeasance is exposed, political interference can prevent proper sanctions (Wikipedia, 2023). This undermines public confidence in government institutions and discourages citizen engagement in governance processes. Therefore, the cumulative effect of corruption in the oil subsidy system is a significant impediment to sustainable development in Nigeria. Funds that could have been invested in social programs, infrastructure, and poverty alleviation are instead lost to fraudulent activities. Consequently, the state struggles to deliver basic services, strengthen governance institutions, and promote economic growth (Eboh, 2019; Ogundipe & Olawale, 2021).

Addressing corruption in the subsidy system is therefore critical not only for improving governance, accountability, and transparency but also for ensuring that public resources are effectively utilized to support national development objectives.

Government measures and policies adopted to mitigate the adverse effects of subsidy removal on the citizens

The removal of fuel subsidies in Nigeria has historically generated significant public concern due to its direct impact on the cost of living, transportation, and overall economic welfare. To address these adverse effects, successive Nigerian governments have implemented various measures and policies aimed at cushioning the impact on citizens while pursuing economic reform and fiscal sustainability (Iyoha & Oriakhi, 2013; Ogundipe & Olawale, 2021). These interventions can be categorized into social safety nets, targeted subsidies, price regulation mechanisms, and institutional reforms. To this end, one of the primary measures adopted by the Nigerian government is the implementation of social safety net programs to protect vulnerable populations from the economic shocks of subsidy removal. Programs such as conditional cash transfers, educational grants, and healthcare support are designed to provide direct financial relief to low-income households (Eboh, 2019). By channeling resources directly to the most affected groups, the government seeks to mitigate the immediate financial burden caused by increased fuel prices. Also, to prevent exploitative pricing and ensure that subsidy removal does not lead to unchecked inflation, the government has also established mechanisms for price regulation and market monitoring. Agencies such as the Petroleum Products Pricing Regulatory Agency (PPPRA) oversee pricing, distribution, and compliance with regulations to stabilize fuel costs and protect consumers (Ogundipe & Olawale, 2021). Regular audits and monitoring are intended to enhance transparency and accountability in the petroleum sector.

Paradoxically, another critical policy measure is the government's effort to communicate the rationale behind subsidy removal and reform policies to the public. Through media campaigns, town hall meetings, and stakeholder consultations, authorities aim to manage public expectations, reduce resistance, and foster an understanding of the long-term benefits of reform (Ozili & Obiora, 2023). Public engagement helps to create a more informed citizenry and minimizes social unrest that typically accompanies subsidy adjustments. While these measures demonstrate the government's awareness of the socio-economic consequences of subsidy removal, their effectiveness has been mixed. Challenges such as inadequate funding, bureaucratic inefficiencies, and persistent corruption have limited the impact of safety nets and targeted interventions (World Bank, 2020). Nonetheless, these policies reflect a recognition that subsidy reform must be accompanied by mechanisms to protect citizens, particularly the most vulnerable, to ensure sustainable economic and social outcomes.

The challenges of oil subsidy removal on governance in Nigeria

The removal of fuel subsidies in Nigeria has faced significant challenges that impact socio-economic development. One primary challenge is the economic burden on citizens. Subsidies traditionally keep fuel prices low, making transportation and goods affordable for the average Nigerian. Their removal has led to increased living costs, disproportionately affecting low-income households and exacerbating poverty and inequality (Smith, 2020). Another major challenge is public resistance and social unrest. In January 2012, the government's announcement to remove fuel subsidies sparked nationwide protests and strikes, commonly referred to as the "Occupy Nigeria" movement. This event underscored the public's deep reliance on subsidized fuel and skepticism regarding the government's promises to reinvest subsidy savings in development projects (Adewuyi, 2016).

Politically, subsidy removal is sensitive. Politicians may avoid endorsing such measures due to fear of losing public support, leading to policy inconsistency and hindering long-term economic planning (Ikejiaku, 2013). Economically, while removing subsidies could free resources for development, it often causes inflationary pressures and reduced disposable income, slowing short-term growth and creating public skepticism over the effective use of savings (Okafor, 2017). Corruption and inefficiency further complicate subsidy removal. Fraudulent claims, smuggling, and mismanagement have led to substantial financial losses. While subsidy removal can reduce these malpractices, it requires strong regulatory frameworks, monitoring mechanisms, and enforcement of anti-corruption measures (Ogunleye, 2015). Overall, subsidy challenges are intertwined with broader energy sector reforms and political economy dynamics. Nigeria's reliance on oil revenue, rent-seeking behavior, and electoral considerations often influence decisions, with short-term political interests overshadowing long-term economic imperatives. Comprehensive reforms are thus needed to improve transparency, governance, and economic resilience.

Empirical review

Several empirical studies have examined the socio-economic effects of fuel subsidy removal in Nigeria, providing insights into the interplay between policy decisions, governance, and corruption. While subsidy removal can theoretically improve fiscal efficiency and reduce corruption, evidence suggests that mismanagement, elite capture, and inadequate palliatives have led to increased socio-economic hardships for ordinary citizens, highlighting governance challenges and political considerations in policy implementation. Ozili & Obiora (2023)

investigated the Implications of fuel subsidy removal on the Nigerian economy. Using the discourse analysis methodology, offering some insight into the macroeconomic and microeconomic implications of the 2023 fuel subsidy removal in Nigeria. The study discovered that, the positive implications of fuel subsidies removal are that fuel subsidis elimination would free up financial resources for other sectors of the economy, incentivize domestic refineries to produce more petroleum products, reduce Nigeria's dependence on imported fuel, increase employment, channel funds for the development of critical public infrastructure, reduce the budget deficit and generate a budget surplus in the near future, reduce government borrowing, curb corruption associated with fuel subsidy payments, increase competition, reinvigorate domestic refineries and reduce pressure on the exchange rate.

Conversely, the study also discovered some notable negative implications that fuel subsidy removal may have on the Nigerian economy. One notable implication is that the removal of fuel subsidy will lead to a decrease in economic growth in the short term, increase inflation, increase poverty, increase fuel smuggling, increase crime, increase the prices of petroleum products and loss of jobs in the informal sector. The study therefore recommended among others that the government should carefully evaluate the impact of fuel subsidy removal on individuals and businesses and provide palliatives and other economic relief programs to cushion the adverse effect on individuals and firms.

Adewunmi, Remy and Iyewumi (2014) conducted a study on the impact of the fuel subsidy removal on socio-economic development in Nigeria, using a price pass-through model, the study employed the error correction model to investigate both the short and long run impact of fuel subsidy removal on socio-economic development in Nigeria using data from 1980 to 2012. The test for trend variability (unit root) to determine the stability of data was done using the Augmented Dickey Fuller and Phillip-Perron test. The study therefore discovered that the fuel subsidy removal does not have a short term impact on the social well-being of Nigerians. However, the long term impacts of this policy tells a sterling story, as it was revealed that the deregulation of the downstream sector will ultimately leads to future economic development of the country. This result is therefore consistent with theoretical and some empirical findings that removal of distortions and market efficiency results in economic growth. It is however recommended that there should be a deliberate and sincere attempt by the government to effectively and efficiently utilize the subsidy funds into strategic developmental projects so as to fulfill the potentials of subsidy removal.

In consonance with the above, Stephen (2015) did a study on impact of fuel price increase on the Nigerian economy (Whether negative or positive).The study adopted a survey research design approach to evaluate the level of effect the fuel price increase has on the Nigerian economy. The population of the study is made up of Civil Servants -CS, market men and women-MMW and staff in the private sectorsSPS concerned with petrol and gas affairs. A sample size of 120 persons was selected at random. It was distributed as follows: Civil Servants (18), market men and women (55) and staff in the private sectors (47). A pre test was conducted and outcome yield "r"= 0.92 indicating a high degree of consistency and reliability.

Moreso, the instrument was an 8-term survey questionnaire with a - 5 Likert scale response options of Very Relevant (VR), Relevant (R), No Effect (NE) Irrelevant (I), and Very Irrelevant (VI). The questionnaire was structured in line with the research objectives, questions and hypothesis of the study. The Pearson product moment correlation coefficient was used to confirm formulated hypotheses. Therefore, the finding revealed inter alia that, there is a significant relationship between the recent increases in fuel prices and economic growth in Nigeria. It was also discovered that the Nigerian economy is not developing because of the effect of fuel price hike on purchasing power and finally the finding showed that there is significant relationship between increase in pump price of petroleum and food security. The paper therefore recommended that Government should retain fuel subsidy while expediting the rehabilitation of the three existing refineries in the country; Fuel subsidy should be removed as soon as these refineries are commissioned; the proposed rehabilitation of the existing refineries should be expedited; Government should vigorously pursue the revitalization of the railways. If only Nigerians had alternatives to road transport, all this noise about fuel subsidy removal would not have been there and Private companies should be encouraged to start building refineries now with the assurance that subsidy would be removed before they start production.

Table: 2 Showing Petroleum Product Pricing in Different Counties

S/N	COUNTRIES	PUMP PRICES (US $)
1	Algeria	0.14
2	Britani	0.25
3	Brunei	0.3
4	Egypt	0.31
5	Iraq	0.38
6	Kuwait	0.22
7	Libya	0.17
8	Nigeria	0.87
9	Oman	0.31

10	Qatar	0.22
11	Saudi Arabia	0.16
12	Venezuela	0.023
13	UAE	0.49

Source: Field Survey, (2024).

According to Eyiuche (2012), the table above speaks volume by exposing how Nigerian masses have been exploited by constant increase of petroleum price by their government. In his research also, he purported that the various petroleum adjustments that has been done in Nigeria by the federal government since 1978 have subjected many Nigerians to pain and distress. Balouga (2012) assessed the political economy of the subsidy removal and found out that the fuel subsidies have not being significantly felt by an average Nigerian whom the subsidy was actually initiated for. In another instance, Adagunodo (2013) in his study, examined the removal of fuel subsidies in Nigeria as an economic necessity and a political dilemma. In his research, he concluded that if implemented correctly, the subsidy funds could lead to major development gains for the country. It will also create the space for Nigeria to finally develop refinery capacity and consequently increase its potential revenue from the oil sector and create jobs.

Methodology

This study adopts a descriptive research design and relies primarily on secondary sources of data to examine the dynamics of fuel subsidy removal and its link to corruption and governance in Nigeria. The research employs documentary and content analysis to explore key themes, including the socio-economic impact of fuel subsidy removal, the role of political and elite actors in policy formulation, corruption in the administration of subsidies, and the implications for governance and public accountability. Data for the study are obtained from a variety of reliable secondary sources, including official government publications (such as reports from the Ministry of Petroleum Resources, Budget Office of the Federation, and the Federal Ministry of Finance), policy documents, and reports from relevant institutions like the Nigerian National Petroleum Corporation (NNPC) and the Petroleum Products Pricing Regulatory Agency (PPPRA). Additional materials are drawn from international agency reports (e.g., World Bank, IMF, United Nations Development Programme), academic journals, books, newspapers, and credible research reports that provide insights into the politics of subsidy removal, corruption trends, and governance challenges in Nigeria.

Conclusion

Governments all over the globe, subsidize key sectors of the economy to ensure that the citizens have access to goods and services at affordable prices. Nonetheless, since the return of democracy in 1999, fuel subsidy has been one of the contentious issues that have dominated public debate, especially in oil exporting developing states, and Nigeria has struggled to effectively manage its fuel subsidy policy, leading to various socio-economic challenges. Paradoxically, there has been an increasing call for fuel subsidy reforms globally, as policy makers have expressed concerns regarding the efficacy of such programmes as well as its implications for socio-economic development of the people in Nigeria. Conversely, over the years, the government have been frequently providing fossil fuel at below cost-rates to Nigerians, in order to mitigate the impact of rising global prices. Therefore, the attempt to remove fuel subsidy have often been confronted with public resistance and protests, due to concerns about the potential for increased fuel prices and its impact on the socio-economic development of the people in Nigeria.

The dilemma of whether to maintain or remove the fuel subsidy has been a recurring challenge for Nigerian leaders. Attempts to remove the subsidy have frequently been met with fierce public resistance, including widespread protests and strikes. The opposition to subsidy removal is rooted in deep-seated concerns about the potential for sharp increases in fuel prices, which could exacerbate poverty, inflation, and economic inequality. For many Nigerians, the subsidy represents a rare form of social support in a country where public services are often inadequate.

Yet, the ongoing debate over subsidy reform is not just about economics; it also touches on broader questions of governance, transparency, and social justice. Critics of the subsidy argue that its removal could free up much-needed resources for investment in critical areas that could drive sustainable development and reduce the high rate of unemployment. Conversely, supporters of the subsidy fear that without adequate safeguards, its removal could lead to further hardship for millions of Nigerians.

Overall, the fuel subsidy debate in Nigeria reflects a complex interplay between economic policy, governance, and social welfare. While subsidies have provided temporary relief for citizens by keeping fuel prices low, their administration has been marred by corruption, inefficiency, and mismanagement, undermining public trust and fiscal stability. Attempts to remove the subsidy have consistently faced public resistance, highlighting the tension between short-term socio-economic hardships and long-term development objectives. The analysis reveals that subsidy removal is not merely an economic policy decision but also a political act influenced by elite interests and governance challenges. Effective implementation of subsidy reforms requires transparency,

accountability, and inclusive policy-making that balances fiscal prudence with the welfare of the populace. Ultimately, the Nigerian experience underscores the need for comprehensive reform in the energy sector and governance structures to ensure that policy measures promote equitable socio-economic development and reduce opportunities for corruption.

Recommendations

Based on the findings of the study, the following recommendations were made:

i. The government should design and implement targeted social safety net programs to cushion the impact of fuel subsidy removal on the most vulnerable groups, ensuring that the poor and marginalized are protected from sudden price shocks.
ii. Efforts should be intensified to rehabilitate existing refineries and establish new ones, thereby reducing Nigeria's dependence on imported fuel and minimizing the economic distortions and governance challenges associated with subsidy management.
iii. The government should prioritize economic diversification strategies to reduce reliance on oil revenue, create employment opportunities, and enhance resilience against the adverse effects of fuel subsidy removal on socio-economic development.
iv. Strategic investments in infrastructure, particularly in transportation, energy, and social services, should be accelerated to ensure that citizens can tangibly experience the benefits of fuel subsidy reform, fostering public trust in governance.
v. Transparent and accountable management of subsidy funds and savings from subsidy removal is essential. This includes establishing robust monitoring mechanisms to prevent corruption, ensure effective resource allocation, and enhance citizens' confidence in government policy decisions

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