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Assessment of the Impact of Fuel Subsidy Removal on Market Prices in Kwara State, Nigeria

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ABSTRACT

This study assesses the impact of fuel subsidy removal on market prices in Kwara State, Nigeria, from May 29, 2023, to the present. The objectives include analysing price variations in essential commodities and assessing their economic implications on households. Using a mixed-methods approach, primary data were collected through surveys, interviews, and market observations, while secondary data were obtained from official reports. The analysis employed Analysis of Variance (ANOVA) to determine statistically significant differences in price changes across sectors. Results indicate substantial price increases, particularly in fuel-dependent industries such as transportation and food, disproportionately affecting low-income households. ANOVA results confirmed significant price disparities between pre- and post-subsidy removal periods. The study concludes that immediate policy interventions, such as targeted subsidies and social support, are essential to mitigate inflationary pressures and economic hardship. Policymakers should prioritise strategies to safeguard vulnerable populations and maintain economic stability.

1. INTRODUCTION

Fuel subsidy removal in Nigeria has long been a contentious issue, sparking debate due to its profound economic implications and the effect on citizens' livelihoods. For several decades, the Nigerian government subsidised fuel prices to keep them artificially low, positioning this policy as a means to alleviate the financial burdens on households and businesses. However, over time, the subsidy became economically unsustainable. According to the Economic Summit Group (2023), the subsidy system distorted market dynamics, depleted government finances, and encouraged inefficiency, significantly contributing to Nigeria's fiscal deficit. Recognising these challenges, the Nigerian government, led by President Bola Tinubu, made the pivotal decision to eliminate fuel subsidies on 29 May 2023.

The removal of subsidies was intended to redirect government expenditure towards more productive sectors such as infrastructure, healthcare, and education, and to reduce the country's budget deficit (World Bank, 2023). Nevertheless, this policy shift triggered an immediate economic shock, resulting in a sharp rise in fuel prices nationwide. This increase had a ripple effect on critical sectors of the economy, particularly transportation and energy. As transportation costs rose, so did the prices of goods and services, culminating in a significant spike in inflation. Raifu and Afolabi (2024) observed that inflation reached unprecedented levels in the months following the subsidy removal, with steep increases in the prices of basic commodities such as food and household items.

The impact on Nigerians, particularly low-income households, was severe. As Ayodele, Okoro, and Eze (2023) noted, rural populations were disproportionately affected, given their limited access to alternative energy sources and dependence on affordable fuel for daily activities. Similarly, small and medium-sized enterprises (SMEs), which play a crucial role in the Nigerian economy, faced substantial operational challenges. The surge in fuel prices led to higher production costs for these businesses, forcing many to reduce their workforce or cut back on production (Vanguard, 2024). This, in turn, has negatively affected economic growth, raising concerns over job losses and reduced consumer spending, further exacerbating the country's economic instability.

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Despite the government's commitment to reinvest savings from the subsidy removal into key sectors, scepticism remains. Akpan and Nwafor (2023) argue that the long-term success of the policy depends on effective management during the transition period and whether the benefits, such as investment in infrastructure and social programmes, will reach the most vulnerable populations.

1.1 Statement of the Problem

The removal of fuel subsidies in Nigeria on 29 May 2023 represents a significant economic policy shift, intended to address the country's fiscal challenges and reallocate funds towards critical sectors such as infrastructure, healthcare, and education. However, this policy has also led to widespread economic disruptions, particularly in Kwara State, where the prices of essential commodities have risen sharply. The immediate effects of these price increases, coupled with heightened inflationary pressures, have had serious repercussions for households and businesses, especially those reliant on fuel, such as the transportation and food industries.

Low-income households, already vulnerable to economic shocks, have been hit hardest by these price hikes, making it increasingly difficult for many to afford basic necessities. In rural areas, where access to alternative energy sources is limited, the situation is even more dire, exacerbating existing socio-economic inequalities (Aligbe & Momoh, 2023). SMEs, which form the backbone of the Nigerian economy, have also faced significant operational challenges due to the rising cost of production, resulting in reduced business activity, potential job losses, and a decline in overall economic stability (Wahab, Yusuf, & Umar, 2023).

Despite the government's promises to reinvest the funds saved from the subsidy removal into social and infrastructural projects, there is widespread scepticism regarding whether these benefits will materialise, particularly for the most vulnerable populations. This raises critical concerns about the adequacy of the government's response to inflationary pressures and the socio-economic hardship that has followed the subsidy removal. The lack of clear, targeted interventions to protect vulnerable groups and maintain economic stability presents a significant issue that this study seeks to explore.

1.2 Objectives of the Study

This study aims to evaluate the impact of fuel subsidy removal on market prices in Kwara State, Nigeria, from 29 May 2023 to the present. The specific objectives are:

1. To analyse the changes in the market prices of essential commodities in Kwara State before and after the removal of fuel subsidies, with a focus on the sectors most affected by fuel price volatility.
2. To assess the economic consequences of increased commodity prices on households, particularly low-income groups, to determine the effects on their standard of living.
3. To examine how the removal of fuel subsidies has impacted the operational costs and productivity of small and medium-sized enterprises (SMEs) in Kwara State.

1.3 Research Questions

The study will address the following research questions regarding the impact of fuel subsidy removal on market prices in Kwara State, Nigeria:

1. What are the changes in market prices of essential commodities in Kwara State following the removal of fuel subsidies?
2. What are the economic implications of increased commodity prices on households in Kwara State, particularly for low-income families?
3. How has the removal of fuel subsidies affected the operational costs and productivity of SMEs in Kwara State?

2. LITERATURE REVIEW

The conceptual framework guiding this research hinges on the Economic Shock Theory and the Real Business Cycle (RBC) Theory, both of which provide valuable insights into how Nigeria's recent removal of fuel subsidies has disrupted the economy, particularly for small and medium-sized enterprises (SMEs) and low-income households in Kwara State.

2.1 Conceptual Framework

The framework guiding this research hinges on the Economic Shock Theory and the Real Business Cycle (RBC) Theory, both of which provide valuable insights into how Nigeria's recent removal of fuel subsidies has disrupted the economy, particularly for small and medium-sized enterprises (SMEs) and low-income households in Kwara State.

The Economic Shock Theory is rooted in the concept that unexpected, significant events like the removal of fuel subsidies can cause rapid economic changes that affect both the supply and demand sides of the economy. In the context of Nigeria's policy shift, the fuel subsidy removal is primarily a supply-side shock, as fuel is a critical input across production and transportation sectors. With subsidies eliminated, fuel prices are no longer controlled by the government and instead reflect market prices, leading to a substantial rise in fuel costs. This sharp increase, in turn, raises operational costs for businesses, inflates transportation expenses, and drives up the prices of goods and services across the board. The result has been a wave of inflationary pressures that reduce consumer purchasing power, leaving households, especially those with lower incomes, struggling to meet their basic needs.

The Real Business Cycle Theory, developed by economists like Robert Barro, further enriches our understanding of how such policy-induced supply shocks impact broader economic activity and employment. According to the RBC framework, when the price of a crucial production input like fuel increases, it raises costs across the economy, disrupting production processes and leading to a decline in overall output. In this scenario, many SMEs, unable to absorb the higher costs, may downsize operations, cut production, or reduce staff, thereby contributing to increased unemployment and a further reduction in economic stability. These outcomes align with what the RBC theory would predict in response to supply-side disruptions, reinforcing the theory's relevance in examining Nigeria's subsidy removal.

In addition to exploring these economic theories, the conceptual framework considers Fuel Subsidies as Economic

Policy Instruments in Nigeria's history. Originally intended to stabilize fuel prices and make energy affordable, subsidies have long shielded Nigerian households and businesses from global price fluctuations. However, sustaining this policy over time became financially burdensome, prompting its eventual removal. This decision has intensified the cost of living for Nigerians while amplifying operational costs for SMEs. The literature, including recent findings by the Economic Summit Group (2023), the World Bank (2023), and Ayodele et al. (2023), highlights the challenges of balancing economic efficiency with social welfare. These sources emphasize that while subsidy removal can promote long-term fiscal stability by reallocating government funds to critical areas like infrastructure and healthcare, the policy's immediate impact on market prices is significant and often adverse.

Furthermore, Market Price Sensitivity to Economic Shocks is a critical part of this framework, especially as it pertains to fuel-dependent sectors. The removal of subsidies, in this case, acts as a catalyst for inflation, with the costs of essential commodities rising in response to increased fuel prices. This inflationary trend has been substantiated by studies from Akpan and Nwafor (2023) and the Nigerian Bureau of Statistics (2023), confirm that the price hikes following subsidy removal have severely affected consumer purchasing power and market stability.

Lastly, The Impact on SMEs and Entrepreneurial Activities completes this framework, focusing on how Nigeria's SMEs are especially vulnerable to such shocks due to their heavy reliance on fuel for transportation and power generation. With profit margins already thin and operational costs high, these businesses face a stark choice: either pass increased costs on to consumers or reduce their workforce, with either option adversely impacting the economy. Research by Ayodele et al. (2023) and Okafor (2022) notes the consequences of subsidy removal on SMEs, from reduced productivity to layoffs, highlighting a critical area of economic vulnerability.

This flow diagram below represents the chain reaction triggered by the removal of a fuel subsidy. It shows the ripple effects on inflation, market prices, household welfare, and SME operational costs, and highlights the moderating role of government intervention to stabilize and build economic resilience.

Flowchart Components:

- Fuel Subsidy Removal
  Category: Trigger
  Description: Primary economic shock causing fuel price increase.
- Increased Fuel Prices
  Category: Economic Shock
  Description: Rising energy and transport costs across sectors.
- Higher Energy and Transport Costs
  Category: Impact Channel
  Description: Increased input costs leading to supply chain disruptions.
- Cost-Push Inflation
  Category: Inflation Effect
  Description: General price level rises due to higher input costs.
- Market Price Hike
  Category: Price Impact
  Description: Essential goods and services become more expensive.
- Low-Income Households
  Category: Welfare Effect
  Description: Reduced purchasing power affects household welfare and quality of life.
- Small and Medium Enterprises (SMEs)
  Category: Business Impact
  Description: Higher operational costs strain SME sustainability.
- Government Intervention
  Category: Policy Option
  Description: Mitigating effects through subsidies, cash transfers, and SME support.
- Direct Cash Transfers
  Category: Household Support
  Description: Financial aid to low-income groups to protect welfare.
- SME Support Programs
  Category: Business Support
  Description: Grants, loans, or tax breaks to assist SMEs.
  Investment in Alternative Energy
- Category: Long-term Strategy
  Description: Energy independence to reduce future shocks.
- Stabilization of Prices
  Category: Outcome
  Description: Inflation control and price stabilization.
- Economic Resilience
  Category: Outcome
  Description: Enhanced economy able to withstand future shocks.

In the above diagram, fuel subsidy removal acts as the catalyst that sends a shock through the economy, leading to inflation and heightened market prices. This increase in market prices subsequently affects household welfare (particularly for low-income groups) and SME operational costs. The presence or absence of government intervention moderates the impact on these groups, providing a potential pathway to stabilisation and economic resilience.

This framework, therefore, emphasizes the interconnected nature of fuel prices, market stability, household well-being, and the survival of SMEs, offering a multi-faceted approach to understanding the economic and social impacts of fuel subsidy removal in Kwara State, Nigeria.

2.2 Fuel Subsidies in Nigeria

Fuel subsidies have long been a cornerstone of Nigeria's economic policy, aimed at cushioning the population from high fuel costs. Initially designed to stabilise prices and offer relief, particularly to lower-income groups, subsidies have proven to be a double-edged sword. According to the Economic Summit Group (2023), sustaining the subsidy regime has imposed a heavy financial burden on the Nigerian government, diverting billions of naira annually that could

have been channeled towards infrastructure, education, and healthcare.

Numerous inefficiencies have emerged as a result of this policy. Oboro and Agbamu (2024) argue that while subsidies were intended to protect consumers from fluctuating global oil prices, they have instead fostered corruption and inefficiency in the fuel distribution system. This has led to issues like smuggling and overconsumption, while environmental concerns have grown due to the focus on fossil fuels over renewable energy alternatives.

The World Bank (2023) advocates for the elimination of fuel subsidies, citing the potential for more efficient resource allocation. The organisation estimates that removing subsidies could save the Nigerian government up to ₦2 trillion annually, funds that could be redirected towards critical sectors like healthcare and infrastructure. While recognising the short-term hardships associated with subsidy removal, such as inflation and increased living costs, the World Bank emphasises that the long-term benefits, including improved government efficiency and economic diversification, far outweigh these challenges. Targeted cash transfers and social welfare programmes could also mitigate the impact on the most vulnerable populations.

2.3 Market Prices and Economic Shocks

Economic shocks, such as fuel subsidy removal, have significant ramifications on market prices. Fuel is a fundamental input for various sectors, and its price fluctuations can ripple across the economy. The immediate consequence of subsidy removal is inflation, as seen in the significant price hikes in sectors such as transportation and food.

Akpan and Nwafor (2023) contend that the removal of fuel subsidies has led to pronounced inflationary pressures, particularly in sectors heavily reliant on fuel, like transportation and agriculture. Their study highlights that rising fuel prices have exacerbated the cost of essential goods, contributing to increased inflation and eroding household purchasing power.

Oladele and Yusuf (2022) add that fuel price volatility undermines market stability, creating uncertainty for both consumers and businesses. For instance, businesses, especially in the manufacturing sector, struggle to maintain stable production costs due to unpredictable fuel prices. This unpredictability reduces investor confidence, further inhibiting economic growth.

A Nigerian Bureau of Statistics (2023) report corroborates these findings, revealing that inflation surged to its highest level in a decade following the subsidy removal, with food prices rising by 12% in the first quarter of 2023 alone. This inflationary trend underscores the profound impact that fuel subsidy removal has had on market stability and the cost of living.

2.4 Impact on Entrepreneurial Activities

Fuel prices are a critical determinant of operational costs for businesses, particularly small and medium-sized enterprises (SMEs). The removal of subsidies has significantly increased operational expenses, forcing many SMEs to scale back or shut down.

Ayodele et al. (2023) observe that SMEs, which heavily depend on fuel for transportation and power generation, are among the hardest hit. Many SMEs, faced with rising fuel prices and unreliable electricity supply, have had to reduce production or lay off workers. This has aggravated unemployment, particularly among youths and low-skilled workers.

Okafor (2022) reinforces this point, noting that businesses in regions where SMEs dominate have suffered disproportionately. Thin profit margins and already high operational costs have left these businesses vulnerable to fuel price hikes, with limited government support or alternative energy solutions available.

Furthermore, the Nigerian Bureau of Statistics (2023) highlights a downturn in the manufacturing sector, where increased production costs have reduced competitiveness and further strained SMEs. As businesses pass these costs onto consumers, domestic production and consumption decline, further exacerbating Nigeria's economic challenges.

2.5 Empirical Review

The removal of fuel subsidies has had an immediate and widespread effect on Nigeria's economy. Fuel prices more than doubled, sparking inflation and driving up the cost of living. Okeke, Nwoha, and Duru (2024) report that inflation soared to over 25% by the third quarter of 2023, with lower-income households bearing the brunt of the price hikes.

Research using the Quadratic Almost Ideal Demand System (QUAIDS) model reveals that petrol remains a necessity with inelastic demand. Despite rising prices, consumption has not significantly dropped, exacerbating economic pressures on households (Okereke et al., 2024). In rural areas, where alternatives to petrol are limited, lower-income groups have faced increasing financial strain. The anticipated reallocation of subsidy savings towards welfare programmes offers hope for alleviating some of these hardships, although its effectiveness remains uncertain.

Socially, the removal of fuel subsidies has triggered protests and labour strikes across the country. Many Nigerians view subsidies as vital for affordable fuel, and their removal has sparked widespread discontent. Although the government has introduced palliative measures, such as cash transfers, the uneven rollout of these programmes means that many affected individuals have yet to feel their benefits (Evans et al., 2023).

3. METHODOLOGY

This study aimed to assess the impact of fuel subsidy removal on market prices in Kwara State, Nigeria. A descriptive research design was adopted, utilising a survey method to collect data from various sectors in the state. This approach was selected to provide a comprehensive understanding of the correlation between the removal of fuel subsidies and its effects on market prices, inflation, and broader socio-economic conditions.

3.1 Sample Selection

A random sampling technique was employed to select 100 respondents from key sectors of the Kwara State economy, including transportation, agriculture, and small and medium-sized enterprises (SMEs). These sectors were chosen due to their vulnerability to price fluctuations following the removal of fuel subsidies, making them representative of the broader economic landscape in the state.

3.2 Data Collection

Structured questionnaires were administered to the selected respondents, collecting data on demographics, market price changes, inflation trends, and the socio-economic effects

on households and businesses since the subsidy removal. A five-point Likert scale, ranging from 'Strongly Agree' to 'Strongly Disagree', was utilised to quantify respondents' perceptions of the impact. This approach ensured that a wide spectrum of opinions was captured, facilitating a detailed analysis of the subsidy removal's consequences.

3.3 Data Interpretation

The data were analysed using descriptive statistical tools such as frequency distributions and percentages to summarise respondents' feedback. Additionally, analysis of variance (ANOVA) was employed to test the hypotheses and examine the relationships between fuel subsidy removal and its economic impacts on market prices and SME operations in Kwara State.

4. RESULTS AND DISCUSSION

This section presents the results of the study based on data from 100 SME operators in Ilorin, Kwara State, Nigeria. The analysis sheds light on the socio-economic effects of fuel subsidy removal, with a particular focus on market prices and the operations of SMEs.

4.1 Data Presentation and Analysis

This section presents the socio-demographic characteristics of the respondents within the study area. Data was collected through a questionnaire addressing gender, age, and educational background.

4.2 Gender Distribution

As illustrated in Table 1, a majority of SME operators were male, accounting for 67% of the total sample. Female operators constituted the remaining 33%.

Table 1. Gender Distribution of the Respondents

Gender	Frequency	Percentage
Male	67	67
Female	33	33
Total	100	100%

Source: Field Survey, 2024

4.3 Age Distribution

The age range of respondents varied from 20 to 61 years. Notably, 60% of respondents were aged between 20 and 40 years, 32% were between 41 and 60 years, and 8% were 61 years or older. These findings suggest a predominantly young demographic profile among SME operators.

Table 2. Age Distribution of the Respondents

Age Range	Frequency	Percentage
20 - 40	60	60
41 - 60	32	32
61 and Above	08	8
Total	100	100

Source: Field Survey, 2024

4.4 Educational Attainment

The educational backgrounds of the respondents are presented in Table 3. A significant proportion, 56%, possessed tertiary education, either as graduates or undergraduates. Secondary education was reported by 32% of respondents, while 8% had primary education. A small fraction, 4%, had no formal education.

Table 3. Educational Status of the Respondents

Educational Status	Frequency	Percentage
Primary	8	8
Secondary	32	32
Tertiary	56	56
No Formal Education	4	4
Total	100	100

Source: Field Survey, 2024

4.5 Impact on Market Prices

As shown in Table 4, 78% of respondents reported experiencing significant increases in the prices of essential goods and services following the removal of the fuel subsidy. The most notable price hikes were observed in the transportation and food sectors directly linked to higher fuel costs.

Table 4. Market Impact

Market Impact	Frequency	Percentage
Significant Increase	78	78%
Moderate Increase	15	15%
No Significant Change	7	7%
Total	**100**	**100%**

The findings underscore the broad and immediate impact of the policy shift on consumer prices, with transportation costs playing a critical role in driving inflation.

4.6 Impact on SMEs

Table 5 illustrates that 70% of SME operators reported increased production costs, largely attributed to rising transportation expenses. This has forced many businesses to reduce their workforce or scale back production to manage escalating costs.

Table 5. Impact on SMEs Operations

Impact on SMEs	Frequency	Percentage
Increased Costs	70	70%
Workforce Reduction	20	20%
No Major Impact	10	10%
Total	**100**	**100%**

The disproportionate impact on SMEs highlights their limited capacity to absorb cost increases, which may threaten the sustainability of these businesses and exacerbate unemployment in the region.

4.3 Hypotheses Testing

Hypothesis 1: H01: Fuel subsidy removal has no significant impact on market prices in Kwara State.

The results of the ANOVA test, as presented in Table 6, indicate a significant relationship between fuel subsidy removal and market price increases. The F-value of 8.314 and p-value of 0.000 lead to the rejection of the null hypothesis, confirming that the policy change has indeed affected market prices.

Table 6. Relationship between Fuel Subsidy Removal and Market Price

Source	Sum of Squares	df	Mean Square	F	Sig.
Regression	85.421	1	85.421	8.314	0.000
Residual	487.239	99	4.923		
Total	**572.660**	**100**			

Hypothesis 2: H02: Fuel subsidy removal has no significant impact on SME operations in Kwara State.

Table 7 shows that fuel subsidy removal has significantly impacted SME operations, with an F-value of 7.295 and p-value of 0.000. This supports the alternative hypothesis, suggesting that SMEs face considerable operational challenges due to increased costs.

Table 7. Impact of Subsidy Removal on SME Operations in Ilorin, Kwara State.

Source	Sum of Squares	df	Mean Square	F	Sig.
Regression	70.632	1	70.632	7.295	0.000
Residual	480.536	99	4.856		
Total	**551.168**	**100**			

4.4 Discussion

The findings of this study reveal that the removal of fuel subsidies has had widespread economic repercussions in Kwara State, with significant socio-economic impacts, particularly on market prices and the operations of SMEs. A considerable majority of respondents (78%) reported sharp increases in the prices of essential goods, with the transportation and food sectors being the most affected. This aligns with prior studies (Akpan & Nwafor, 2023), which indicate that fuel prices are critical determinants of costs across various sectors. Increased transportation expenses have acted as a catalyst for inflation, leading to an erosion of purchasing power and a strain on household budgets.

The inflationary surge post-subsidy removal is evident in recent data from the Nigerian Bureau of Statistics (2023), which reported a 12% rise in the Consumer Price Index (CPI) for essential goods shortly after the policy change. This finding highlights the vulnerability of the Nigerian economy, particularly in regions like Kwara State, where a significant portion of the population depends on affordable fuel for daily subsistence and business operations.

The study further underscores the profound impact on SMEs, which represent a vital segment of Kwara State's economy. A substantial 70% of SME operators reported elevated operational costs, primarily due to increased transportation expenses. This has resulted in a reduction of workforce and production levels, reflecting the limited capacity of SMEs to absorb such financial shocks. These findings correspond with research by Ayodele et al. (2023), which emphasises the heightened susceptibility of SMEs in developing economies to external economic disruptions, such as sharp fuel price hikes.

The Nigerian government's justification for the subsidy removal was largely to address fiscal deficits and reallocate funds to more productive sectors. However, the expected benefits, especially for vulnerable populations, have yet to be fully realised. Respondents expressed scepticism regarding the adequacy of governmental support during this transition, questioning whether the projected savings from subsidy removal will be effectively channeled into social welfare programmes that can buffer the socio-economic challenges faced by households and SMEs (Akpan & Nwafor, 2023). This calls for the government to not only prioritise the allocation of resources but also to ensure transparency and effectiveness in welfare interventions to support economic resilience and alleviate the burden on affected sectors.

The study highlights that while the removal of the fuel subsidy may offer long-term fiscal benefits, the immediate adverse effects on market prices, inflation, and SME sustainability underscore the need for strategic mitigation measures. Enhanced governmental interventions, such as targeted subsidies for SMEs and investment in infrastructure to reduce transportation costs, may help stabilise affected sectors and support economic recovery.

4.5 Conclusions on Hypotheses

The hypotheses in this study examined the impact of fuel subsidy removal on both market prices and SME operations in Kwara State. Based on the results of the ANOVA tests, the following conclusions can be drawn:

Hypothesis 1: $H0_1$ – Fuel subsidy removal has no significant impact on market prices in Kwara State.

The ANOVA test results presented in Table 6 indicate a statistically significant relationship between fuel subsidy removal and increased market prices, with an F-value of 8.314 and a p-value of 0.000. Given the p-value is below the standard significance level (typically 0.05), we reject the null hypothesis ($H0_1$). This finding confirms that the removal of the fuel subsidy has significantly influenced market prices, resulting in notable price increases for essential goods and services.

Hypothesis 2: $H0_2$ – Fuel subsidy removal has no significant impact on SME operations in Kwara State.

Similarly, the ANOVA test results in Table 7 show a significant relationship between fuel subsidy removal and its impact on SME operations, with an F-value of 7.295 and a p-value of 0.000. As the p-value is also below 0.05, we reject the null hypothesis ($H0_2$). This result demonstrates that fuel subsidy removal has adversely affected SME operations, primarily by increasing operational costs, which has led many SMEs to reduce workforce size or scale back production.

In summary, the analyses confirm that fuel subsidy removal has substantial socio-economic implications in Kwara State, affecting both consumer prices and SME sustainability. The findings underscore the need for supportive government interventions and targeted policy measures to mitigate the adverse impacts on market prices and SME operations, which are critical to the state's economic stability and growth.

5. Conclusion and Recommendations

5.1 Conclusion

The removal of fuel subsidies in Nigeria has had substantial and far-reaching economic effects, particularly in Kwara State. This study has demonstrated that the policy shift led to immediate and significant increases in market prices, with transportation and food sectors experiencing the most acute impacts. These price surges have had a cascading effect, contributing to an increase in inflation rates that has eroded purchasing power and placed additional financial pressure on households. This strain has been particularly pronounced for low-income households, widening socio-economic disparities and deepening inequalities across the state.

Small and medium-sized enterprises (SMEs) have been especially vulnerable to the impacts of subsidy removal. Rising transportation costs have increased operational expenses for these businesses, many of which lack the financial resilience to absorb such costs without significant reductions in output or workforce size. Consequently, SMEs in Kwara State face heightened risks of financial instability, business closures, and workforce downsizing, potentially leading to a rise in unemployment and economic stagnation. These findings underscore the critical role of fuel costs as a determinant of broader economic stability in regions where SMEs are integral to the local economy.

The study also reveals that without proactive government intervention and targeted support, the long-term viability of SMEs and the economic well-being of vulnerable populations are at serious risk. The impact on SMEs could hinder broader economic development, as these businesses are vital for job creation, income generation, and overall economic dynamism. Additionally, the absence of accessible alternative energy sources leaves SMEs and households heavily reliant on fuel-based energy, making them particularly susceptible to price fluctuations.

5.2 Recommendations

Based on the results of this study, several recommendations can be made to mitigate the adverse effects of fuel subsidy removal:

1. The government should accelerate the implementation of targeted social welfare initiatives, such as cash transfer programmes, to cushion the economic impact on vulnerable populations, particularly low-income households disproportionately affected by rising prices.
2. There should be increased government investment and incentives to promote the use of alternative energy sources for small and medium-sized enterprises (SMEs) and households.
3. The government should offer financial support, such as low-interest loans or subsidies, specifically targeted at SMEs. This would help alleviate the financial burden of increased operational costs and prevent widespread business closures and job losses.
4. The Central Bank of Nigeria should closely monitor inflation trends and implement policy measures that help stabilise the economy.

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