



PERCEPTION OF FUEL SUBSIDY REMOVAL AMONG FARMING HOUSEHOLDS IN IMO STATE.

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ABSTRACT: *The study investigated the perception of fuel subsidy removal among farming households in Imo State. Specifically, the study ascertained farming households' awareness of fuel subsidy removal; assessed farming households' perception of fuel subsidy; identified the perceived causes of fuel subsidy removal among farming households and investigated the perceived effects of fuel subsidy removal on farming households. One hundred and twenty farming households were selected using a multistage sampling procedure. Data were gathered by a structured questionnaire and analyzed using descriptive statistics. The results indicated that farming households were aware (90%) of fuel subsidy removal and perceived fuel subsidy as a benefit given to an individual by the government ($\bar{x}=3.0$), direct or indirect payment, or privilege granted by a government to private firms, households or other governmental units in order to promote a public objective ($\bar{x}=3.0$). Also Farming households perceived the causes of fuel subsidy removal as a means of the Government to increase fuel price in order to generate more revenue. The findings showed that increased in fuel pump price ($\bar{x}=3.5$), increased cost of transportation for farm produce ($\bar{x}=3.5$), increased food prices ($\bar{x}=3.5$) Limited access to agricultural machinery and equipment ($\bar{x}=2.9$) among others were perceived as the effects of fuel subsidy removal by farming households. The study concludes that farming households perceived fuel subsidy removal as having serious effect on them and therefore recommended that alternative renewable energy sources and investment in the power sector to reduce dependency on fuel should be encouraged. The Government should reduce fuel pump price to ensure its affordability to the farming households.*

KEYWORDS: perception, fuel subsidy removal and farming households.



INTRODUCTION

The government introduced a subsidy on petroleum products to stabilize fuel prices and make them affordable for the general population. Nigeria has been subsidizing fuel since 1970`s to ensure Nigerian`s buy petroleum products below the global price. The principle behind oil subsidies is to minimize the impact of rising global oil prices on Nigerians. Subsidies on fuel have been a common practice in Nigeria for several decades. The government provides these subsidies as a means of reducing the cost of fuel for consumers in Nigeria. Fuel subsidy has been a significant drain on government finances. It is estimated that between 2011 and 2015, the Nigerian government spent over \$35 billion on fuel subsidies (central Bank of Nigeria (CBN), 2015). This has led to significant fiscal challenges as the funds that could have been spent on infrastructure development and social welfare programs are instead used to subsidize fuel prices. Subsidy refers to a form of financial aid or support extended to an economic sector, institution, business or individual generally with the aim of promoting economic and social policy (Academia, 2023). Subsidy can also be any measure that keeps the prices consumers pay for a good or produce below market level for consumers or producers (Alozie, 2009).

The removal of subsidies refers to the government`s decision to eliminate or reduce the subsidies provided on certain goods or services particularly petroleum products in Nigeria (Adamu, 2023). In 1999, the then president Olusegun Obasanjo attempted to deregulate the downstream sector of the oil industry which includes fuel subsidies. However, due to public resistance and protest the plan was abandoned. In May 2016, the president Muhammadu Buhari administration announced the complete removal of fuel subsidy. This led to a significant increase in fuel price which resulted to a nationwide protest (Adamu, 2023). For the past 30 years, government have attempted to remove the fuel subsidy due to the damaging fiscal impact (Adenikinju, 2009) from a political economy perspective subsidy removal is difficult because it impacts a broad spectrum of Nigerian household. The removal of fuel subsidies lead to higher fuel prices, which had increase the cost of operating agricultural machinery and transporting goods to market for farming households in the state.

The removal of fuel subsidies in Nigeria in which Imo state is inclusive has the potential to impact on farming households in various ways. Firstly, the increased cost of fuel may lead to a rise in production costs for farmers, resulting in reduced profit margins. This in turn could lead to a decline in agricultural productivity and income level of farming households. Secondly higher fuel prices may also affect transportation cost making it more expensive for farmers to transport their produce to the market, ultimately impacting their ability to earn a fair income. The removal of fuel subsidies may also have broader socio-economic impact. It could worsen the already existing income inequality as low income farming households struggle to cope with the increased fuel prices, wealthier individuals may be less affected. Additionally, the removal of fuel subsidies may also lead to increased poverty level among farming households as they face difficulties in meeting their basic needs due to the higher cost of fuel. Understanding the perceptions of farming households towards the removal of fuel subsidies is crucial for policy makers and stakeholders in the agricultural sector. It can provide insights into the potential challenges and opportunities that may arise from this policy change. Hence the study is geared towards bridging the gap in knowledge.



In view of this, the following questions that guided this study were;

- i. Are farming households aware of fuel subsidy removal?
- ii. What is the perception of farming households on fuel subsidy?
- iii. What do farming households perceive as the cause of fuel subsidy removal?
- iv. How has the removal of fuel subsidy affected farming households in Imo state

Objectives of the Study

The broad objective of this study was to investigate the perception of fuel subsidy removal among farming households in Imo state. The specific objectives included to:

- i. ascertain farming households' awareness of fuel subsidy removal;
- ii. assess the farming households' perception on fuel subsidy in Imo state;
- iii. identify the causes of fuel subsidy removal as perceived by farming households and
- iv. Investigate the perceived effect of fuel subsidy removal on farming households in Imo State.

METHODOLOGY

This study was carried out in Imo state, Nigeria. Imo state is located in the south eastern part of Nigeria and is known for its significant portion of the population engaged in farming. Farming is the primary occupation for many households in Imo state. The study employed a multistage sampling procedure. The researcher employed purposive sampling to specifically choose regions characterized by farming households. Four local governments areas were purposively selected from each of the three agricultural zones in Imo state, namely Owerri, Okigwe and Orlu making a total of 12 Local Government Area. From the 12 Local Government Areas selected, one community each was randomly selected from the 12 LGAs selected for the study. Ten farming households were selected from each of the 12 LGAs to form a sample size of 120 farming households for the study. A list of farming households was collected from the villages of each of the selected communities. Questionnaires were utilized to gather data. Objective I was realized using descriptive statistics such as frequency, percentage. Objectives (ii),(iii) and (iv) were accomplished by analyzing the mean scores. This analysis was conducted using a 4-point Likert-type scale rating model, where SA represents "Strongly Agreed" (4), A represents "Agreed" (3), D represents "Disagreed" (2), and SD represents "Strongly Disagreed" (1). The scores were summed and divided by the number of scales to obtain a discriminating index of $2.50 (4+3+2+1)/4 = 2.50$ for the causes and effects of fuel subsidy removal, as perceived by farming households.

According to the perception of farming households, the decision rule states that any variable equal to or greater than 2.50 will be recognized and considered as a cause of fuel subsidy removal. Variables below this threshold will not be accepted. A similar approach was also

taken for the perceived effect. Thus, any statement with a mean score greater than or equal to 2.5 will be regarded as the perceived effect and causes of farming household.

RESULTS AND DISCUSSION

Awareness of Fuel Subsidy Removal among Farming Households in Imo

The finding in figure 1 showed that majority (90%) of farming households were aware of fuel subsidy removal. Awareness of fuel subsidy removal among farming households and its potential effects on their agricultural activities is crucial for promoting sustainable and inclusive agricultural development. This result is contrary to Raji et al (2018) who found that lack of awareness and understanding among farming households regarding to fuel subsidy removal can hinder farmers' ability to adapt and make informed decisions.

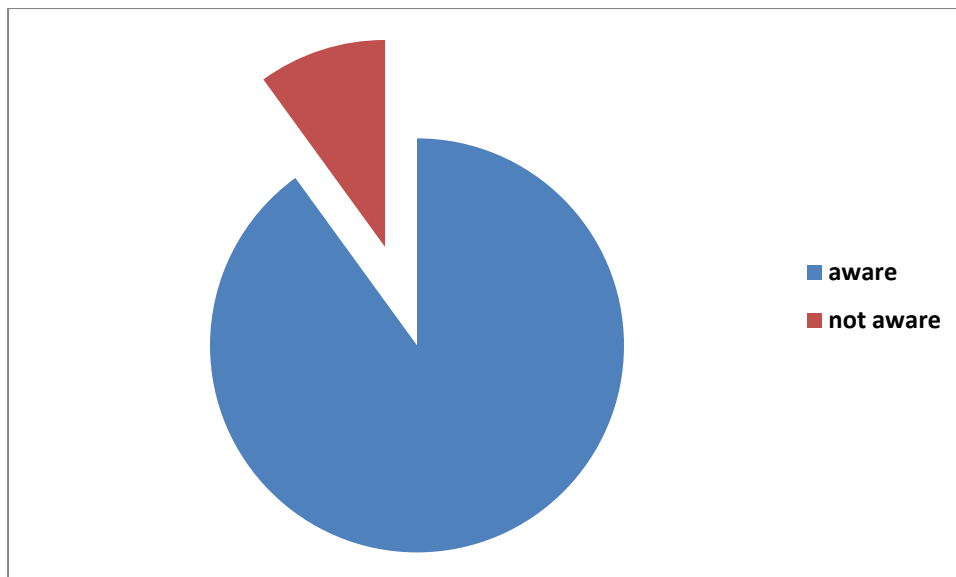


Figure1: Awareness of fuel subsidy removal among farming households

Source: Field data survey 2023

Fuel subsidy perception among farming households

The findings in Table 1 showed that farming households perceived fuel subsidy as a benefit given to an individual by the government ($\bar{x}=3.0$), financial aid or grant given by the governments to certain individuals to promote economic activities or achieve specific objectives ($\bar{x}=3.1$), direct or indirect payment, or privilege granted by a government to private firms, households or other governmental units in order to promote a public objective ($\bar{x}=3.0$), a transfer of money from the government to an entity ($\bar{x}=2.8$), a type of government expenditure for individuals and households as well as businesses with the aim of stabilizing the economy ($\bar{x}=3.0$). The high level of perception and acceptance recorded in the above may likely be the relatively high formal education of farming households, extension contact and cooperative membership. International this collaborates with the findings of Institute for



Sustainable Development (IISD, 2018) which examined public perceptions of subsidies and found out that it is a means of keeping prices low and supporting economic growth.

Table 1: Fuel Subsidy Perception among farming households

	Fuel subsidy perception	SA	A	DA	SA	MS	remark
a)	Subsidy is a benefit given to an individual business or institution usually by the government.	48	44	16	12	3.0	Accepted
b)	Subsidy is a financial aid or grant given by the governments to certain individuals, organization or industries to promote economic activities or achieve specific objectives.	52	40	20	8	3.1	Accepted
c)	Subsidy is a direct or indirect payment, or privilege granted by a government to private firms, households or other governmental units in order to promote a public objective.	52	32	28	8	3.0	Accepted
d)	Subsidy is a transfer of money from the government to an entity.	44	28	32	16	2.8	Accepted
e)	Subsidy is a type of government expenditure for individuals and households as well as businesses with the aim of stabilizing the economy.	60	28	12	20	3.0	Accepted

Source: field survey data, 2024, Discriminating index 2.5, ≥ 2.5 = Acceptance, $>$ = Rejection

Causes of Fuel subsidy Removal as perceived by Farming Households

The findings in Table 2 showed that the farming households perceived the following as causes of fuel subsidy removal: generation of revenue ($\bar{x}=3.0$), Reduce corruption in the oil sector ($\bar{x}=2.6$) and increase in fuel prices ($\bar{x}=3.0$). Farming households perceived fuel subsidy removal as a means of the Government to increase fuel price in order to generate more revenue. This contradicts the findings of Fischer (2019) who asserted that Government views the removal of fuel subsidies as a way to promote market efficiency and enhance competitiveness.

**Table 2: Causes of fuel subsidy removal as perceived by farming households**

Perceived causes	strongly agree	Agree	Disagree	strongly disagree	mean score	Remark
a) Governments need to generate revenue	56	32	16	16	3.0	Accepted
b) Reduce corruption in the oil sector	32	40	24	24	2.6	Accepted
c) Encourage local refining and production	1	1	18	100	1.15	Rejected
d) Reduce dependency on imported fuel	0	0	19	101	1.2	Rejected
e) Encourage competition and market efficiency	2	7	21	90	1.5	Rejected
f) Increase in fuel prices	48	40	24	8	3.0	Accepted

Source: field survey data, 2024, Discriminating index 2.5, ≥ 2.5 =Acceptance, $> =$ Rejection

Perceived effects of fuel subsidy removal among farming households in Imo State

The result in Table 3 showed that the farming households perceived increased in fuel pump price ($\bar{x}=3.5$), increased cost of transportation for farm produce ($\bar{x}=3.5$), increased food prices ($\bar{x}=3.5$), Increased price of farm produce ($\bar{x}=3.2$), Reduced profitability of farming ($\bar{x}=2.9$), Limited access to agricultural machinery and equipment ($\bar{x}=2.9$), Increased unemployment in the agricultural sector ($\bar{x}=3.3$), Increased cost of transportation of produce to the market ($\bar{x}=3.4$), Increased cost of production/farming activities like ploughing, clearing etc ($\bar{x}=2.8$) were perceived by farming households as the effect of fuel subsidy removal. Increase in fuel pump prices of domestic petroleum products in Nigeria affect economic activities that depend on petroleum products as sources of energy. The implication is that farmers have to spend more on transporting their farm produce to the markets. Increase in fuel has made transport operators all over Nigeria to increase the cost of transporting human being and goods in order to meet up with their operational and maintenance cost (Kyarem, 2023) This is in line with the study of Akinyemi et al (2017) who reported that removal of fuel subsidies led to an increase in cost of production for farmers, which subsequently affected their overall welfare and income levels, which in turn led to decrease in agricultural productivity and profitability among farming households.

**Table 3: perceived effects of fuel subsidy removal**

	Perceived effects	Strongly agree	Agree	Disagree	Strongly disagree	MS	SD	Remark
a)	Increased cost of transportation for farm inputs.	84	28	-	8	3.5	0.80	Accepted
b)	Increased price of farm produce.	48	56	12	4	3.2	0.76	Accepted
c)	Reduced profitability of farming.	44	36	32	8	2.9	0.95	Accepted
d)	Limited access to agricultural machinery and equipment.	32	56	28	4	2.9	0.79	Accepted
e)	Increased fuel pump price.	68	36	16	-	3.5	0.92	Accepted
f)	Increased food prices.	76	32	12	-	3.5	0.67	Accepted
g)	Decreased income for farmers.	52	32	24	12	3.0	1.02	Accepted
h)	Increased unemployment in the agricultural sector.	64	32	20	4	3.3	0.86	Accepted
i)	Increased cost of transportation of produce to the market	64	44	8	4	3.4	0.76	Accepted
j)	Increased cost of production/farming activities like ploughing, clearing etc.	32	48	28	12	2.8	0.93	Accepted

CONCLUSION

Conclusively, the farming households were aware of fuel subsidy removal and perceived need to generate revenue, reduce corruption in the oil sector and increase in fuel prices as the causes of fuel subsidy removal. The farming households perceived the following as the effect of fuel subsidy removal; Increased fuel pump price, increased cost of transportation for farm produce, increased food prices, Increased price of farm produce, Limited access to agricultural machinery and equipment, decreased agricultural productivity, Decreased income for farmers, Increased unemployment in the agricultural sector, Increased cost of transportation of produce to the market and Increased cost of production/farming activities like ploughing, clearing



RECOMMENDATIONS

The following recommendations were made based on the major findings of the study.

- i. The government should develop targeted support programs and policies to assist farming households in adjusting to higher fuel prices and ensure continued access to affordable inputs and transportation services.
- ii. Extension agents should be encouraged to promote the adoption of sustainable and energy-efficient agricultural practices to reduce overall dependence on fossil fuels. This could include promoting organic farming methods, the use of renewable energy sources and the adoption of precision agriculture technique.
- iii. The government and NGOs should assist in Providing financial support and incentives for farming households to invest in energy-efficient technologies and equipment, such as solar-powered irrigation systems, energy efficient machinery and vehicles.
- iv. Extension agents can strengthen agricultural cooperatives and farmer organizations to facilitate collective purchasing of fuel and equipment, which can help farming households achieve cost savings and improve negotiating power.
- v. Extension Experts should employ subject matter specialists to offer training and capacity-building programs to educate farming households about alternative energy sources, energy saving practices and financial management strategies to cope with higher fuel costs.
- vi. The Government should reduce fuel pump price to ensure its affordability to the farming households.

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