

The Fuel Subsidy Removal and the Performance of Transport Sector: A Study of Selected Transport Firms in Nigeria

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Abstract

Public policies such as the subsidy removal produce far reaching effects especially on citizens and transport business firms. The recent experience with subsidy removal in Nigeria left numerous wounds. This study investigated the fuel subsidy removal and the performance of transport sector, a study of selected transport firms. The data used for the analysis were primary data collected through the use of well-structured questionnaire administered on the management of the selected transport firms (Romchi Mass Transit Limited, Eastern Mass Transit Limited, Sunny Eru Motors, Udisam Motors, and Sunny bright Transit limited). The population of the study comprised staff (managers, cashiers, accountants, drivers and other staff) of the selected transport firms. The study adopted simple random sampling. The researchers utilized primary data sourced from structured questionnaire and employed percentage analysis and the Pearson Likelihood Ratio to analyze the data. The study found that the fuel subsidy removal brought significant costs, such as the high cost of transportation which affect the volume of passenger traffic of the transport firms; the study also found that the fuel subsidy removal significantly affected the cash flow performance of the transport firms due to reduce passenger traffic and patronage and inability to access fuel for business. Relying on the findings, the study concluded that the fuel subsidy removal had significant negative effect on the transport sector performance. The implication of the finding is that subsidy is a significant determinant of passenger traffic and consequently cash flow and financial performance of transport sector business. Based on the findings, the researchers recommended that: there is need for the government devise means of addressing the various identified challenges and difficulties occasioned by the subsidy removal implementation through mechanisms such as significant upward review of the minimum wage; this will help to mitigate the negative effect of the subsidy removal policy on the transport sector y way of improved passenger traffic and patronage, and the the government should reactivate the subsidy reinvestment programme and channel the subsidy savings to projects and programmes that will make meaningful impact on the transport sector

Keywords: *Subsidy, Subsidy removal, Transport sector Performance*

1. Introduction

All over the world, governments adopt welfare policies that seek to make life easier for her citizens by way of subsidizing certain goods and services which may be out of reach of ordinary people if left to the market forces and the price system. Subsidies are payments made by the government for which it receives no goods or services in return (Karl Case, 1999). Many governments across the globe perceive the provision of subsidies as a social obligation to the economically disadvantaged citizen, particularly the poor (people who live below the poverty line); civil servants, and vulnerable groups. In this way, virtually every country introducing subsidies takes the poor-people-matter point of view into consideration, sometimes arguing for some form of protection for citizens (Olaniyi, Nwaogwugwu, Olusegun & Ekundayo (2023).

In Nigeria, government over the years has executed different strands of subsidy policy mainly on agricultural inputs and the fuel (premium motor spirit – PMS). However, the policy has been assessed to not benefit the poor and vulnerable but the elite, already wealthy and affluent who do business with the policy. Attempts over the years to remove the subsidy have been met with resistance in different forms such as industrial actions by the organized labour and its affiliate unions (Omojuwa, 2023). The subsidy removal protest of January 2012 comes to mind. The resistance are hinged on the notion that removal of subsidy on PMS will bring untold hardship on the citizenry (civil servants in particularly) due to the effects accompanying it such as increased transport cost, high inflation of prices of foods stuffs and essential good, difficulty in transportation and work/office maintenance, high cost of vehicle maintenance, etc.

The Petroleum Products Pricing Regulatory Agency informed all stakeholders of the commencement of the formal removal of the subsidy on Premium Motor Spirit. Consequently, Petroleum products marketers informed that no one will be paid a subsidy on PMS discharges after 1st January 2012. Following this publication, the tempo of activities within the country became overtly charged immediately after the announcement of the removal of fuel subsidy on January 1, 2012 by the Petroleum Products Pricing and Regulatory Agency (PPPRA). This indeed, came as a shock to most Nigerians as they were not prepared for the sudden change. Labour and transport unions, human rights groups, market women, taxi drivers and lawyers' associations have been bitterly opposed to having the subsidy removed. That led to the announcement of a nationwide strike by the organized Labour, comprising the Nigerian Labour Congress (NLC) and the Trade Union Congress (TUC) starting from January 9. That strike successfully grounded economic activities around the country for one whole week, with Nigeria losing approximated N320 billion per day (CBN, 2022). The measured effect of the subsidy removal included a spike in poverty level, spike in cost of living, and a drastic fall in standard of living. All these, altogether highlighted and assessed the welfare improvement or decline of public servants and the productivity level of civil servants.

The implementation of the fuel subsidy removal policy revealed the economic vulnerability of the transport sector and by extension the citizens; households faced elevated financial pressures from prolonged, high inflation. Due to elevated cost of living that accompanied the subsidy removal, citizens could no longer pay for basic needs as the policy caused negative impacts on food prices

and commodities. Food prices rose by more than 100% between May and November (NBS, 2023). The effect of the subsidy removal is widespread; increase in the cost of living which further worsened the already disturbing poverty statistics of the country, rise in prices of many things, a decrease in the value of money (purchasing power). Funds available can now purchase or command less goods, when compared to what it used to get before (Ozili, 2023). For example, sachet water has experienced more than hundred percent increase from N10 to N30; increase in transport fare is also a major resultant effect of fuel subsidy removal. This study therefore investigated the fuel subsidy removal and transport sector performance, a study of selected transport firms in Southeast Nigeria. The specific objectives were:

1. To ascertain the effect of fuel subsidy removal on passenger traffic of selected transport firms in Southeast Nigeria
2. To find out the effect of fuel subsidy removal on the cash flow of selected transport firms in Southeast Nigeria

2. Review of Related Literature

2.1 Subsidy

A subsidy is a benefit given to an individual, business, or institution, usually by the government. It can be direct (such as cash payments) or indirect (such as tax breaks). The subsidy is typically given to remove some type of burden, and it is often considered to be in the overall interest of the public, given to promote a social good or an economic policy (Investopedia, 2023). A subsidy is generally some form of payment (provided directly or indirectly) to the receiving individual or business entity. Subsidies are generally seen as a privileged type of welfare package, financial aid, as they lessen an associated burden that was previously levied against the receiver or promote a particular action by providing financial support. A subsidy typically supports particular sectors of a nation's economy. It can assist struggling industries by lowering the burdens placed on them or encourage new developments by providing financial support for the endeavors. It can also target certain category of persons such as the poor and vulnerable group, civil servants, etc. Often, these areas are not being effectively supported through the actions of the general economy or may be undercut by activities in rival economies. There are many forms of subsidies given out by the government. Two of the most common types of individual subsidies are welfare payments and unemployment benefits (Obasi, Ezenkwa, Onwa & Nwogbaga, 2017). The objective of these types of subsidies is to help people who are temporarily suffering economically. Other subsidies, such as subsidized interest rates on student loans, are given to encourage people to further their education

2.2 Fuel Subsidy

The concept of fuel subsidy has been a topic of significant discussion and debate in Nigeria, especially since 29th May this year, when President Bola Tinubu, in his inaugural speech, said "Fuel Subsidy is gone". Fuel subsidy is a financial assistance provided by the government to reduce the cost of fuel for consumers. It is done to keep fuel prices lower and make it more affordable for the general population. Fuel subsidy reform has been a recurring policy issue in Nigeria since the return of democratic rule in 1999. According to Olaniyi, Nwaogwugwu, Olusegun, and Ekundayo (2023), the issue has brought the government and the citizens to crossroads with no clear roadmap.

In addition, Fuel subsidy in Nigeria is one of many consumption subsidy programmes of the government. It attempts to lower the fuel cost by providing direct financial support to oil firms, thereby lowering the fuel price for Nigerians.

The recent trend in government fuel subsidy bills and commitments have become escalated so much that it is outstripping the government's earnings from crude oil sales. As of H1-2023, the landing cost of fuel in Nigeria ranges between N500 – N600 and sells at an average of N200 nationwide. The government is, therefore, responsible for the N300 – N400 excess. In 2022 an estimated N2.74 trillion was paid as fuel subsidy, while just over N600 billion was made in oil revenue. Meanwhile, in the 2023 budget, N3.36 trillion was provided for fuel subsidy up to June 2023, while N2.23 trillion was projected for oil revenue for the year (BusinessDay, 2022). The situation has degenerated, and the government borrows to pay for subsidy, making it unsustainable for the country.

2.3 Subsidy Removal in Nigeria

Ozili (2023) defined fuel subsidy removal as the process of ending government financial assistance for fuel, causing prices to rise to market levels. This leads to increased fuel costs and can have economic and social impacts. As earlier defined, Fuel subsidy is the financial support provided by the government to reduce the cost of fuel for consumers. Before it was removed, this subsidy brought lower fuel prices at the pump than the actual market price. This is because the government has been absorbing a portion of the cost to maintain affordability for everyone. Fuel subsidy has undergone adjustments under different government regimes as shown on the table below:

Table 1: Trend of Fuel Subsidy Adjustments in Nigeria 1978-2023

S/N	Date	Administration	Price	Percentage change
1	1978	Obasanjo	15k	
2	1990	Babangida	60k	300%
3	1992	Babangida	70k	17%
4	1992	Babangida	3.25k	364%
5	1993	Babangida	N5.00	54%
6	1994	Shonekan	N11.00	120%
7	1994-1998	Abacha	N11.00-	
8	1998-1999	Abacha	N20.00	82%
9	2000	Obasanjo	N20.00-	
10	2000	Obasanjo	N22.00	10%
11	2001	Obasanjo	N26.00	18%
12	2003	Obasanjo	N40.00	54%
13	2004	Obasanjo	N45.00	13%
14	2007	Obasanjo	N70.00	56%
15	2007	Yar'Adua	N65.00	7%
16	2010-2012	Jonathan	N65.00-	
17	2012	Jonathan	N141.00	117%

18	2015-2023	Buhari	141-378	62.69
19	2033 – date	Tinubu	378 – 670	77.25

Source: Adagba O., Ugwu S.C and Eme O.I, (2012) & Omojuwa (2023)

While this may seem beneficial, it can have adverse effects on the economy. Subsidies, such as fuel subsidy, can create a fiscal burden on the government, leading to budget deficits. Fuel subsidies contribute significantly to the government's expenditure. Hence, the funds that could be allocated to vital sectors like healthcare, education, and infrastructure are instead diverted to subsidizing fuel. This strains the fiscal health of the country and limits its ability to address other pressing needs or invest properly in other sectors.

The arguments in support of fuel subsidy removal are on the points that it provides significant fiscal relief for the government. The funds previously allocated to subsidies can be redirected to other essential sectors. Subsidy removal encourages market efficiency by allowing fuel prices to reflect the actual supply and demand dynamics (Omojuwa, 2023). This can lead to a more transparent and competitive energy market. Fuel subsidy can incentivize smuggling of subsidized fuel to neighbouring countries where prices are higher. Removing it curbs this cross-border smuggling. Subsidy removal can contribute to long-term fiscal sustainability by reducing the burden on government finances. This can help create a more stable economic environment. Funds saved from subsidy removal can be channeled towards investments in renewable energy sources and infrastructure development.

However, arguments against the removal of fuel subsidy stands on the points that it creates immediate fuel price increase which results in higher transportation costs and a rise in the overall cost of living. The sudden increase in fuel prices triggers inflationary pressures in the economy, affecting the prices of goods and services. This can particularly impact vulnerable populations. The abrupt increase in fuel prices may lead to public dissatisfaction and even protests. People may perceive the removal as unfair and unjust. Fuel subsidy removal can disproportionately affect low-income households such as civil servants, as they spend a larger portion of their income on fuel. Higher fuel prices can increase operational costs for businesses, potentially leading to reduced profitability and, in some cases, layoffs

Doubtlessly, the fuel subsidy removal can impact people's ability to save, invest, and build wealth. With higher fuel costs and as household expenses rise, disposable income available for savings and investments takes a nosedive. People start to allocate more funds towards essential expenses, leaving less for long-term financial growth, and understandably so. Businesses also face increased operational costs, potentially affecting job security and income growth. Overall, the fuel subsidy removal challenges people's financial stability, making it harder to save, invest, and build wealth in the short term

2.4 Transport Sector Performance in Southeast Nigeria

The people of Southeastern Nigeria have a long and strong tradition of trading and road transport business. In the first half of the 20th century, population pressure, land hunger, decreasing soil

fertility, their shrewd, enterprising and individualistic spirit as well as their capitalist philosophy drove them not only to exploit their immediate environment but also to venture beyond their own frontiers in search of economic opportunities. The people pioneered, dominated and commercialized road freight and passenger transport in Nigeria. They have also inspired a host of entrepreneurs from other parts of the country to enter into vehicular road transportation business. The Southeast transport entrepreneurs brought about revolution in the industry which has profound significance in terms of facilitating the transportation of goods and services beyond the Eastern Corridor and bringing to the fore the transport industry as a formidable and vital sector of the regional and national economy.

With the removal of fuel subsidies, transport sector of the Southeast and indeed Nigeria face a direct impact on transportation costs. Higher fuel prices result in increased expenses for transporting goods and materials, directly affecting profit margins and pricing strategies. The removal of fuel subsidies often leads to an immediate increase in fuel prices. This can trigger a chain reaction, causing higher transportation costs and ultimately contributing to inflation. The Nigeria transportation sector, being the commercial hub of Nigeria, has been more affected by the fuel subsidy removal reform. Modern businesses, industries trades and general activities depend on the transport sector, with movement of goods and services from place to place becoming vital and inseparable aspects of global and urban economic survival. Reports revealed that most filling stations as at the time of removal of the subsidy closed down or hiked their pump price astronomically beyond the reach of average transport business operators. This led to long queues, as they sold the product to the motorists between N550 and N670 per litre (a higher price compared to the previous amount). The situation led to increase in transportation fares and made some travelers to be stranded.

2.2 Empirical Review

Some empirical reviews have been put forward by the researcher in the areas of gasoline price effects on various aspects of the Nigeria Economy. Ozili (2023) investigated the implications of the 2023 fuel subsidy removal in Nigeria. Using the discourse analysis methodology, the study offered some insight into the macroeconomic and microeconomic implications of the 2023 fuel subsidy removal in Nigeria. The positive implications are that fuel subsidy removal 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. The negative implications are that fuel subsidy removal may decrease 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. It is recommended 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.

Nwosa (2022) examined empirically a one-to-one next between domestic fuel price and various macroeconomic variable in Nigeria for the period 1986-2011. Hui-Siang (2021) examined the relationship between domestic petrol price and the 10 municipal economic sectors in Malaysia, using quarterly data for the period of 1990-2020. Ehinomen and Adeleke (2020) assessed the distribution of petroleum products in Nigeria, between 1960 and 2017. To them, the distribution of such products in the country is burden with complex problem, which sometimes lead to petroleum products outages, hiked prices of products and conflicts on the pump price of products. To them, the downstream activities of the oil industry should be completely deregulated to allow private sector and entrepreneur full participation in the distribution of the products so as to drive effectiveness in the sector. As effectiveness is enhanced, operational cost will be cut down with a resultant reduction in the price of petroleum product that will beneficial to all stakeholders in the industry.

Obasi, Ezenkwa, Onwa and Nwogbaga (2017) examined the political economy of fuel subsidy removal in Nigeria and its implications on the economy in generate and the populace in particular. It addresses the arguments for and against fuel subsidy removal in Nigeria as a political discourse. This article relies on secondary data. This method enabled the researcher draw heavily on recorded data thus making for an in-depth analysis. It was found that rampant corruption in the nation's sprawling oil sector is hugely responsible for the intractable economic development slow-motion that has worsened the plight of ordinary Nigerians. While the country's refineries remain moribund, fuel subsidy has, instead created leeway for the criminally-minded elite to squander the commonwealth. Government has demonstrated little or no political will to stem the decay in the oil sector, as underlined by the reluctance to prosecute oil thieves, some of whom are directly or indirectly connected to the apparatus of the state. Unlike in Ghana where government engaged the people and introduced measures to cushion the harsh effects of fuel subsidy phase-out on the poor, in Nigeria, government has often increased the cost of petrol before ever addressing its impacts on vulnerable groups. The paper therefore recommends the revamping of the country's refineries, the strengthening of the fight against corruption and the establishment of a regulatory framework to protect citizens as necessary measures to help improve the poor state Nigeria's economy and society.

From the empirical review it became evident that most of the available empirical literature were focused on the effect of the subsidy removal on the aggregate economy and not specifically directed at the transport sector. The related literatures which were focused on the subsidy removal were not empirical in analysis but adopted descriptive approach. Hence, this study adopted the survey approach (to combine qualitative and quantitative methods) to study the effect of the fuel subsidy removal on the transport sector, a study of selected transport firms in Southeastern Nigeria.

2.3 Theoretical Framework

Analyzing the removal of subsidies involves the application of diverse theoretical frameworks that encompass economic, political, and social dimensions. These frameworks provide valuable insights into the complexities of subsidy removal, shedding light on both anticipated and unintended consequences.

Economic theories play a crucial role in understanding subsidy removal's economic implications. One such framework is the Rational Choice Theory, which posits that individuals act to maximize their self-interests within constraints (Van Valkengoed & Van der Werff, 2022). In the context of subsidy removal, this theory can explain how consumers react to price increases by altering their consumption patterns. Data from Nigeria's 2012 subsidy removal protests reveals shifts in consumer behaviour due to sudden fuel price hikes (Apeloko & Olajide, 2012). Political theories offer insights into how government decisions on subsidy removal are influenced by power dynamics and public opinion. The Public Choice Theory argues that political actors aim to maximize their interests, leading to policies that may not always align with the public's welfare (Obasi et al., 2017). This theory can explain the rivalry between citizens' interests and government decisions in both the 2012 and 2023 cases of subsidy removal in Nigeria.

Social theories illuminate the societal repercussions of subsidy removal. The Theory of Social Conflict explains how societal groups with differing interests may engage in conflict when policies threaten their well-being (Apeloko & Olajide, 2012). The Theory provides a lens through which an analysis of the tensions and clashes that arise when policies like subsidy removal have differential impacts on various societal groups can be carried out. It underscores the importance of considering not only the economic implications of such policies but also their social and distributional effects. By understanding these dynamics, policymakers can anticipate and address potential conflicts, striving for policy solutions that are more equitable and socially acceptable.

In short, a multi-dimensional analysis of subsidy removal necessitates the application of various theories. Economic theories illuminate market dynamics and consumer behaviour, social theories reveal societal implications, and environmental theories address ecological consequences. By integrating insights from these frameworks and grounding the analysis in empirical data, a comprehensive understanding of the 2023 subsidy removal case in Nigeria can be achieved.

3. Method, Data and Technique

The survey research design employed for this study. This type of research design basically uses some set of self-designed structured questionnaire to collect data. Hence, the researcher adopted field survey research design. The data used for the analysis are primary data collected through the use of well-structured questionnaire administered on the management of the selected transport firms (Romchi Mass Transit Limited, Eastern Mass Transit Limited, Sunny Eru Motors, Udisam Motors, and Sunny bright Transit limited). These firms operate mostly Southeast Routes hence they were selected for the study to capture the focus on Southeast. The population of the study comprised staff (managers, cashiers, accountants, drivers and other staff of the selected transport firms. The study adopted 5 likert scale (strongly agree = 5, agree = 1, neutral = 3, disagree = 2 and strongly disagree = 4). This study adopted the simple random sample and the Taro Yamani formulae techniques in determining the sample size. The population is thus summarized in the table below:

Table 1: Summary of the Population of the Study

Category	No
Managers	5
Accountants and Cashiers	17
Drivers	52
Clerical/General Staff	41
Total	115

Source: Field survey, 2024.

The study adopted frequency tables and percentages for the data analysis and hypotheses evaluation; as well as descriptive statistics. This was in order that this study makes good meaning to different categories of people that may consult it now or later.

Decision Rule: Accept the alternate hypothesis and reject the null hypothesis if % of the number of participants who responded to (strongly agree) is greater than the % which responded to strongly disagree; otherwise reject the alternate and accept the null hypothesis

4. Results

4.1 Demographic Characteristics of the Respondents

The demographic data for respondent included gender, age, and educational level. Table1 presents the data provided by the respondents regarding their gender notation.

Table 2: Gender distribution of respondents

Item	No. of respondents	%
Male	54	46.96
Female	61	53.04
Total	115	100.00

Data generated by researcher from field work, 2024

Out of the 115 respondents sampled, 46.96% were female while 53.04% were male. There is no specific expectation on the influence of the gender notation of the respondents on their ability to give accurate information. The age composition of the respondents can also provide some useful insight into the makeup of the transport sector operators as is usually thought to be composed of young people in the case of Nigeria. Table 2 below shows the respondents' age distribution

Table 3: Age distribution of the respondents

<i>Item</i>	<i>No. of respondents</i>	<i>%</i>
20-29yrs	11	9.57
30-39yrs	33	28.69
40yrs above	71	61.74
Total	115	100

Data generated by researcher from field work, 2024

The table above shows that in terms of age distribution, those aged between 20-29years polled 9.7%. The rest were 30-39years (28.69) and 40years above (61.74%). Again, the researchers did not expect the age to have any significant influence on the ability of the respondents to provide the require information. Another important factor considered in evaluating the effect of the fuel subsidy removal policy implementation on the performance of the transport sector is the educational status. Hence, the study had reason to assume that the level of education will determine the quality of information provided by the respondents. The table 3 below provides information on the educational qualifications of the respondents.

Table 4: Educational information of the respondents

<i>Item</i>	<i>No. of respondents</i>	<i>%</i>
WASSC	17	14.78
HND/OND/NCE	54	46.96
BSC/BA	40	34.78
M. SC./Ph D.	4	3.48
Total	115	100

Data generated by researcher from field work, 2024

The table indicates that the respondents which possessed ordinary level certificates (WASSC) made up the lowest proportion of the sampled population at 14.78%. This was followed by those with advanced degrees (MSC/PhD) 3.48%. Those with bachelors were 40 in number (34.78%); while those with either of HND/OND/NCE were 54 (or 46.96).

4.2 Effect of Fuel Subsidy Removal on Passenger Traffic of Selected Transport Firms In Southeast Nigeria

In the first objective of the study, the researchers aimed to ascertain the effect of fuel subsidy removal on passenger traffic of selected transport firms in Southeast Nigeria. Rising inflation pressures as accompanied the subsidy removal policy implementation cold restrict the mobility of people thereby leading to reduction in passenger traffic at the motor parks. From the responses as pooled from the questionnaire, when asked to what extent the fuel subsidy removal affected the volume of passenger traffic, 60.87% of the respondents strongly agreed that the fuel subsidy removal brought significant costs, such as the high cost of transportation which led to substantial decrease in the volume of passenger traffic in their motor parks, 20.87% merely agreed. However, only 18.26% disagreed. Further on, 43.8% strongly agreed that the subsidy removal reduced the financial performance of the firms in terms of patronage, 15.65% disagreed while 12.17% were

indecisive. In order to quantitatively measure the effect, the researcher conducted the Pearson Chi-square test. The decision is based on whether the value of the likelihood ratio is positive or negative. The result is presented below:

Table 5: Pearson Chi-square test result

Tabulation of SERIES05 and SERIES06

Date: 02/02/24 Time: 09:17

Sample: 115

Included observations: 115

Tabulation Summary

<u>Variable</u>	<u>Categories</u>			
SERIES05	3			
SERIES06	4			
Product of Categories	12			
Test Statistics				
	<u>Df</u>	<u>Value</u>	<u>Prob</u>	
Pearson X2	6	-171.1025	0.0000	
Likelihood Ratio G2	6	-162.9074	0.0000	

Source: Researchers' computations 2024 (E-views)

According to the result, the likelihood ratio is negative (-162.9074) and is significant at 5% level (0.0000). This implies that the fuel subsidy removal brought significant costs, such as the high cost of transportation, decrease in passenger traffic and reduction in the financial performance of the transport firms in terms of passenger patronage.

4.3 Effect of Fuel Subsidy Removal on the Cash Flow Performance of Selected Transport Firms in Southeast Nigeria

A lot has been said to the effect that all is not well with the removal of the fuel subsidy in terms of cash flow of transport companies. Hence, the second research objective of this study centered on the effect of fuel subsidy removal on the cash flow of selected transport firms in Southeast Nigeria. From the responses as pooled from the returned questionnaires, the respondents gave their opinion concerning the cash flow performance of their transport firms following the fuel subsidy removal. 67.83% of the respondents strongly agreed that the subsidy removal brought about significant reduction in their cash flow due to drastic fall in passenger traffic, and the inability of the firms to access fuel for business, only 13.04% strongly disagreed. Again, 53.91% further identified strongly that the time lost due to lack of access to fuel resulted to low business performance. To measure the effect, the researchers utilized the Pearson Chi-square likelihood ratio. The result is presented in table 6 below:

Table 6: Pearson Chi-square test result

Tabulation of SERIES03 and SERIES04

Date: 02/02/24 Time: 09:46

Sample: 115

Included observations: 115

Tabulation Summary

<u>Variable</u>	<u>Categories</u>		
SERIES03	4		
SERIES04	5		
Product of Categories	20		
<u>Test Statistics</u>	<u>Df</u>	<u>Value</u>	<u>Prob</u>
Pearson X2	12	-29.29332	0.0036
Likelihood Ratio G2	12	-37.10240	0.0002

Source: Researchers' computations 2024 (E-views)

The result showed a negative likelihood ratio (-37.10240). Hence, the fuel subsidy removal brought about psychological trauma due to inconveniences resulting from lack of access to fuel; the time lost due to this resulted to inconveniences and social discomfort on civil servants.

5. Summary, Conclusion and Recommendations

Road transport is a strategic business sector in Southeast Nigeria. The performance of transport firms depend largely on the volume of passenger traffic. Passenger traffic responded negatively to the removal of fuel subsidy. The study examined the fuel subsidy removal on and performance of transport sector, a study of selected transport firms in Southeast Nigeria. The study adopted the survey research design using structured questionnaire to solicit the opinion of respondents (the population of the study) comprising managers, accountants, cashiers, drivers and general staff of five transport firms in Southeast Nigeria (Romchi Mass Transit Limited, Eastern Mass Transit Limited, Sunny Eru Motors, Udisam Motors, and Sunny bright Transit limited). A total of 115 participants were involved in the survey selected from a simple random sampling technique. The responses of the respondents were analyzed using percentage analysis, and the Pearson Chi-square Likelihood Ratio. The summary of the major findings is based on the results obtained from the analysis of data carried out: the study found that the fuel subsidy removal brought significant costs, such as the high cost of transportation which affect the volume of passenger traffic of the transport firms; the study also found that the fuel subsidy removal significantly affected the cash flow performance of the transport firms due to reduce passenger traffic and patronage and inability to access fuel for business. Relying on the empirical results, the study concluded that the fuel subsidy removal had significant negative effect on the transport sector performance. the implication of this finding is that subsidy is a significant determinant of passenger traffic and consequently cash flow and financial performance of transport sector business; lower or no subsidies imply inability to afford transport fare, reduce passenger traffic and poor financial performance of transport sector

businesses. Based on the findings, the researchers make the following recommendations: there is need for the government devise means of addressing the various identified challenges and difficulties occasioned by the subsidy removal implementation through mechanisms such as significant upward review of the minimum wage; this will help to mitigate the negative effect of the subsidy removal policy on the transport sector y way of improved passenger traffic and patronage, and the the government should reactivate the subsidy reinvestment programme and channel the subsidy savings to projects and programmes that will make meaningful impact on the transport sector.

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