



ASSESSMENT OF THE IMPACT OF FUEL SUBSIDY REMOVAL ON CIVIL SERVANTS' EFFICIENCY IN THE NIGERIAN INSTITUTE OF LEATHER AND SCIENCE TECHNOLOGY, ZARIA

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ABSTRACT

The decisive policy change of fuel subsidy removal carries many implications that warrant rigorous investigation to understand its far-reaching consequences. This study examined the impact of fuel subsidy removal on staff efficiency at the Nigerian Institute of Leather and Science Technology. The study employed quantitative analysis using a well-structured questionnaire. Data obtained were analysed using Graph Pad Prism analysis of variance (ANOVA). On the perception of fuel subsidy removal, 62.96% of respondents reported that fuel subsidy removal would affect the cost of living and work-related expenses ($p < 0.05$). 77.78% of the respondents revealed that the subsidy removal had negatively impacted staff efficiency. 30.86% of the respondents reported that the policy had caused a percentage increase in their daily commuting to work from 101-150%. On the impact of the policy, 77.78% reported that the fuel removal of subsidy hurts their job satisfaction ($p < 0.05$). 67.90% reported that they do not believe in the Government of Nigeria, and 43.21% recommended the mass transport system for staff. It was concluded that removing fuel subsidies has negatively impacted civil servants' job satisfaction and work efficiency. Respondents recommended that the government review the salaries of civil servants to reflect current market conditions and provide adequate buses to transport staff.

KEYWORDS

Civil servant, fuel subsidy, Efficiency, Federal Government of Nigeria, NILEST

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INTRODUCTION

The Nigerian economy has subsided in various ways for many years, including fuel, education, electricity, and forex, among others. It is noteworthy that fuel subsidies have been a part of Nigeria's economic landscape since the 1970s. Their formalisation occurred in 1977 with introduction of the Price Control Act, which prohibited the sale of certain goods, including petrol, above a designated price threshold. While subsidies can be beneficial in principle, Nigeria's implementation has been plagued by allegations of corruption and mismanagement, as Yunusa *et al.* (2023) illuminated in their research.

The Federal Republic of Nigeria, a nation of over 200 million individuals, has long wrestled with the test of fuel endowment as a component of its energy strategy (Akintunde *et al.*, 2020; Ogunmodimu & Okoroigwe, 2019). In the past, fuel subsidies have been used to reduce the financial burden on citizens and stabilise domestic fuel prices. However, debates and criticisms regarding the subsidy policy's sustainability, equity, and impact on the national economy have lingered (Olufemi *et al.*, 2020). According to Garba (2023), the historical antecedent of subsidy removal on petrol in Nigeria is marked by policy shifts, attempts, and controversies. He asserts that the Nigerian government has repeatedly implemented and reversed subsidy removal. For instance, in 1988, the government introduced a subsidy on petroleum products to stabilise fuel prices and make them affordable for the general population. This was in response to protests against price increases.

Then, in 1999, President Olusegun Obasanjo attempted to deregulate the downstream sector of the oil industry, including removing fuel subsidies. However, due to public resistance and protests, the plan was abandoned. The story was similar to that of President Goodluck Jonathan's administration that, in January 2012, announced a partial removal of fuel subsidies, leading to a sharp increase in fuel prices. This move sparked widespread protests nationwide, known as the "Occupy Nigeria" protests. Eventually, the government bowed to pressure and rescinded its decision (Yunusa *et al.*, 2023). Garba (2023) further opines that the issue of subsidy removal has remained a topical and recurrent issue of debate and discussion in Nigeria. While complete removal has not occurred since 2016, successive governments have discussed and

considered subsidy reforms and found alternatives to address the fiscal challenges associated with the subsidy regime.

Consequently, the newly sworn-in administration in Nigeria under the leadership of President Bola Ahmed Tinubu squarely and openly addressed the issue as he announced at Eagle Square while delivering his inaugural speech that said, "...Fuel subsidy is gone! Subsidy can no longer justify its ever-increasing cost in wake of dying resource..." and within a couple of hours, fuel pump price was set at N540 per litre. This policy shift occurred at a pivotal juncture in Nigeria's energy landscape and had far-reaching effects on the public and other economic sectors.

Subsidies exist when the government helps its citizens and those residing in the country, who consume a particular essential product, to pay a price lower than the prevailing market price (Kadiri & Lawal, 2016). Some authors like Agu, Ekwutosi, and Augustine (2018) see it as a kind of market intervention whereby the government fixes the commodity's price below its real market price and pays the difference to the merchants. Here, the government fixes the pump price of fuel below the actual market price, and the government pays the difference to the importers and marketers. The subsidy is a Latin word called "*subsidium*", which means reserve troops, support or assistance; from sub-near + sedēre to sit — more at SUB-SIT. Subsidies can, therefore, be seen as a grant of financial aid from the government used to maintain the prices of a particular item at a certain affordable level. To subsidise is to sell a product below the cost of production; fuel subsidy, therefore, means to sell petrol below the cost of importation (Yunusa *et al.*, 2023).

Fuel subsidy is a government effort to pay for the difference between the pump price of fuel at the petrol station and the actual cost of importation of the product. So, by paying the difference, the government enables fuel to be sold at a lower price to help ease the burden of its people, who are significantly lower-income groups. Fuel subsidy is a grant of financial aid from the government to maintain the low price of petroleum products (Civic Keypoint, 2023). Removal of fuel subsidy occurs when the government ceases to pay for the difference between the pump price and the actual cost of importing fuel. Technically, it means complete deregulation of the downstream sector to pave the way for vibrant competition by other interested investors. With the removal of fuel subsidies, fuel will have to be sold at the prevailing market price based on the actual cost of importation.

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The fuel subsidy removal policy has underlying reasons the government sees as economic growth and development stimulators. For example, the vast funds used to pay for subsidies will become available for alternate uses like developing the much-needed infrastructure in the country, particularly in the healthcare, education, and transport sectors. If this is done, every country's citizen will benefit (Yunusa *et al.*, 2023). The government has also construed that deregulation of the downstream oil sector will attract private sector investments, especially foreign direct investments, to the sector. Before now, investors were sceptical about the sector because they feared they might be unable to recoup their investment at government-controlled prices. Foreign direct investment in the sector is expected to provide employment opportunities for the many unemployed Nigerians and generate government revenue through taxation and levies (Yunusa *et al.*, 2023).

The availability of foreign exchange with the Central Bank of Nigeria (CBN) is another envisaged result of fuel subsidy removal. A steady flow of foreign exchange to the Central bank will lead to a single foreign exchange rate regime in the country, stabilising the foreign exchange market and edging out the black market. Foreign exchange will become easily accessible for importing goods and machinery (Umeji & Eleanyi, 2021). The removal of fuel subsidies was also seen to help remove the distortions in the market. Due to the higher commodity prices in these countries, the smuggling of petroleum products to neighbouring countries is expected to end. In Nigeria, fuel intended for domestic consumption is illicitly transported across the border and sold at inflated prices, resulting in a shortage.

Unlike other oil-exporting nations, Nigeria sets the price of refined products it does not manufacture, rendering it unable to reap the benefits of increasing crude oil prices. Hence, the gains accrued to Nigeria in the high price of crude oil are lost to the high price of refined products it imports. This is so because as the price of crude oil goes up, the price of refined products will go up also. Therefore, removing fuel subsidies will eliminate such revenue losses to the Nigerian government.

Civil servants, as fundamental supporters of the policy implementation framework, were impacted by the expulsion of fuel sponsorship (Habibi *et al.*, 2022). Fuel costs, which is a fundamental component of transportation costs for most government employees, surged following [NIJOSTAM Vol. 1(1) December, 2023, pp. 157-168. www.nijostam.org]

the strategy change (Ekeinde *et al.*, 2022). Civil servants, who rely on transportation to carry out their duties, may have seen their productivity and efficiency suffer due to this rise in fuel prices. The efficiency of civil servants is a paramount consideration in the effective functioning of government institutions and the delivery of public services to the Nigerian populace (Konateh *et al.*, 2023).

For instance, the pristine high cost of living has shot up; transport fares have shot up by over 200 per cent since subsidy removal. Prices of food items and others have all witnessed a remarkable increase. Akintayo (2023) reported that a civil servant, Omolola Ayodele, told The PUNCH correspondent that life had been unbearable for her family since May 29. He said, "This is the worst we have experienced in ten years. No salary increment accompanied by the removal of fuel subsidies, especially for state and private workers. This is has caused enormous suffering and difficulty, coupled with the fact that people can no longer eat to their satisfaction. The transportation fare across Nigeria's rural and urban areas has skyrocketed beyond a bearable threshold, especially for the less privileged (Akintayo, 2023). In the words of Pushpakumari (2008), "A satisfied worker is a productive worker." In other words, when it comes to the efficient operation of government agencies and the provision of public services to Nigerians, the effectiveness of civil servants is of the utmost importance (Habibi *et al.*, 2022; Konateh *et al.*, 2023).

The impact of government policies, such as fuel subsidy removal, on the work efficiency of civil servants is an area that warrants thorough investigation. Understanding civil servants' perceptions of the effects of fuel subsidy removal on their work can provide valuable insights into the broader implications of such policy changes on the public sector. This research seeks to explore the perceptions of civil servants at the Nigerian Institute of Leather and Science Technology (NILEST) regarding the removal of fuel subsidies and their impact on their work efficiency. In order to achieve this objective, the study categorised respondents based on their socio-demographic features, including gender, age, and civil service experience. This was followed by the assessment of their perception of how their work performance has been impacted by the removal of fuel subsidies, particularly regarding job satisfaction and ease of transportation. The perception of the role played by the Federal Government in educating Nigerians and managing the

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aftermaths of the subsidy removal was also assessed. Finally, a foray was made into mitigation measures as recommended by the respondents.

This study was necessitated by a sudden hike in the debt profile of staff within the institute as well as in debt payment defaulters, which has generally led to significant levels of despondency and stress within the NILEST academic community, all in the wake of the removal of fuel subsidy, which can be used as a yardstick for other government establishments. The institute has been graced with many buses that can convey staff members at highly subsidised rates or even be put into commercial ventures, instead of lying idle in the institute's compound based on the respondents' recommendations. At the end of this study, a clear demarcation is expected to be established between pre-subsidy fuel removal staff efficiency and post-subsidy removal staff efficiency in the institute.

By gathering insights into fuel subsidy from civil servants in the institute, this study aims to contribute to the existing body of knowledge on the consequences of fuel subsidy removal and inform policy discussions on measures to support and enhance the efficiency of civil servants in the post-subsidy era. Therefore, this study addresses a critical gap in the literature by examining the interplay between fuel subsidy removal and the efficiency of civil servants in Nigeria. It is expected that the findings of this research will shed more light on the challenges civil servants face, their coping strategies, and potential policy recommendations to mitigate the impact of fuel subsidy removal on their work.

METHODOLOGY

Research Design

This study employed a quantitative approach. This approach allows for a comprehensive exploration of civil servants' perceptions and experiences regarding the impact of fuel subsidy removal on their work efficiency.

Population and Sample Selection

The population for this study consisted of civil servants working in various departments and Directorates in the institute who responded and filled in about 161 questionnaires out of the 250

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that were administered. A stratified random sampling technique was used to select a representative sample of civil servants. Stratification was based on cadre, that is, researcher/training staff and administrative/non-teaching staff, who are the leading cadres in the institute.

Data Collection

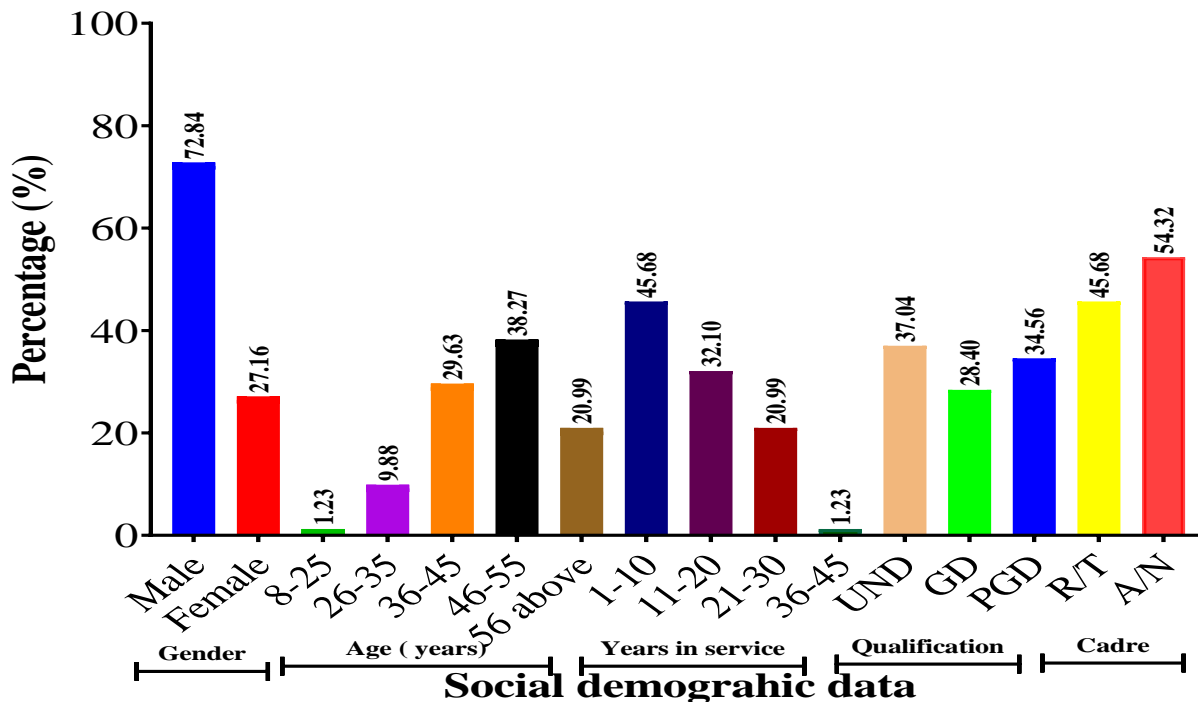
Quantitative data was collected through structured surveys. The survey instrument was designed to gather information on civil servants' perceptions of the impact of fuel subsidy removal on their work efficiency. Survey items were rated on a Likert scale. The collection instrument was a structured questionnaire developed based on the research objective. The questionnaire included closed-ended questions with Likert-scale responses. The survey questionnaires were distributed in person to selected directorates. Interested respondents filled in the questionnaire in hard copy and returned it.

Data Analysis

Quantitative data from the surveys was analysed using statistical software. Descriptive statistics, such as means and frequencies, were used to summarise responses. Inferential statistics, such as analysis of variance (ANOVA), was employed to identify significant differences in perceptions among different groups. All data collected was treated with strict confidentiality. Personal identifiers were also removed or anonymised to protect the privacy of respondents. The validity and reliability of the data were ensured through pre-testing survey instruments and using established measurement scales where applicable.

RESULTS AND DISCUSSION

Socio-Demographic Information

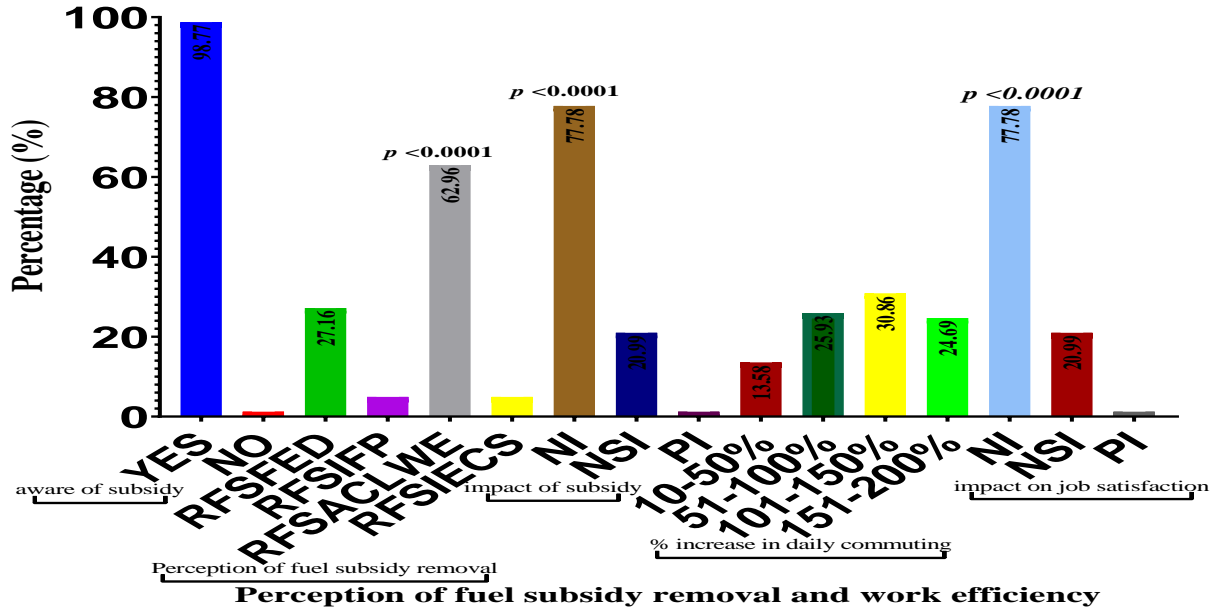


(Key: UND = Undergraduate Degree, GD = Graduate Degree, PGD = Post Graduate Degree, R/T = Researcher/Training, A/N = Admin/Non-teaching staff)

Figure 1: Socio-Demographic Data of Respondents

The result of the socio-demographic data of respondents is depicted in Figure 1. The analysis revealed that 72.84% of the respondents were male, while 27.16% were female. The highest (38.27%) of the respondents were in the age group 46-55 years, followed by the age group 36-45 years (29.63%). 45.68% of the respondents have worked in the institute for 1-10 years, while 37.04% of the participants hold undergraduate degrees, 28.40% hold graduate degrees, and 34.56% hold postgraduate degrees (Figure 1). The result shows that 45.68% of respondents were research and training staff, while 54.32% were administrative or non-teaching staff.

Perception of NILEST Staff on Fuel Subsidy Removal, and Impact of Subsidy Removal on Civil Servants' Work Efficiency



(Key: RFSFED = Removal of Subsidy was necessary for Economic Development, RFSIFP = Removal of Subsidies will lead to Increased Fuel Price, RFSACLWE = Removal of Fuel Subsidy Will Affect the Cost of Living and Work-related Expenses, RFSIECS = Removal of Subsidy Has Impacted the Efficiency of Civil Servants at NILEST, NI = Negative Impact, NSI = No Significant Impact, PI = Positive Impact)

Figure 2: Perception of fuel subsidy removal and work efficiency

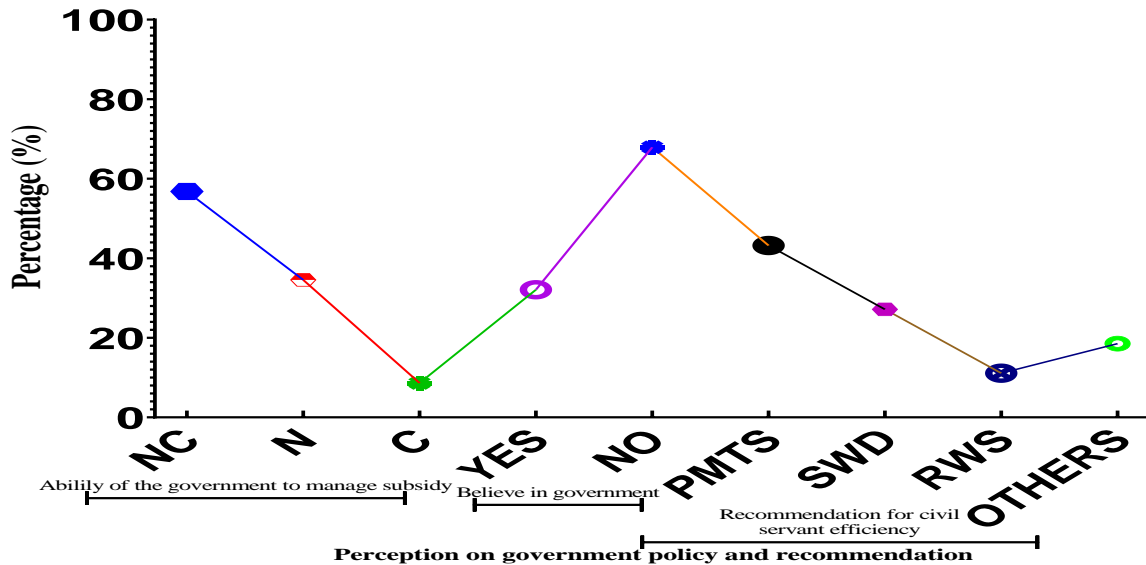
On the perception of fuel subsidy removal (Figure 2), 98.77% of the respondents reported that they were aware of it. In comparison, 62.96% of the participants responded that removing fuel subsidies would affect the cost of living and work-related expenses for civil servants. There was a statistically significant difference between participants with this perception compared to other parameters at $p < 0.0001$.

On the impact of subsidy removal on civil servants, 77.78% of the participants said that the policy hurts citizens and the economy, with a significant difference at $p < 0.0001$ when compared with other parameters. On the impact of subsidy removal on job satisfaction, 77.78% of the respondents reported that the policy hurts civil servants' job satisfaction, with a significant difference compared to other parameters at $p < 0.0001$ (Figure 2).

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The removal of fuel subsidies at this point has spiked the already existing economic hardship which Nigerians are already experiencing, including hikes in transport fares, prices of food and services, closure of local industries and job losses and unemployment, deepening of the poverty level and poor standard of living of most Nigerians (Majekodunmi, 2013).

Perception of Government Policy, Civil Servant Efficiency and Recommendation



(Key: NC = Not Confident, N = Neutral, C = Confident, PMTS = Provision of Mass Transport System, SWD = Shifting of Work Days, RWS = Redesign of Work Schedule)

Figure 3: Perception of government policy, efficiency of civil servants and recommendations

Figure 3 presents information from the data analysis regarding the perception of Government policy and recommendations for enhanced civil service efficiency in the institute. Here, most respondents (56.79%) were not confident in the government's ability to manage the situation; 34.57% were neutral, while the remainder (8.64%) thought otherwise. Furthermore, 67.90% of the respondents registered that they believe that the government needs to adequately communicate the reason for the removal, while 32.10% reported that the government did not communicate. On recommendation for enhanced civil servant efficiency, 43.21% said the provision of the mass transport system would suffice, 27.16% suggested shifting of work days, and 11.11% subscribed to redesigning the work schedule (Figure 3). The Nigerian government needs to put key palliative

measures in place before such a subsidy reform to ensure that increasing access to high-quality energy services is not hindered by such a reform.

CONCLUSION

The study attempted to characterise the impact of fuel subsidy removal on staff efficiency in the Nigerian Institute of Leather and Science Technology. From the data analysis on the respondents' socio-demographic features, the majority (73%) were males in their late forties to mid-fifties. They fell under the lowest rank of work experience (1-10 years). Most (58%) expressed doubts about the federal government's ability to manage the aftermath of the removal of fuel subsidies. Findings from the survey indicate ineffective communication on the part of the federal government on the reasons for the removal of fuel subsidies. Most respondents (30.86%) attest to witnessing a 101%-150% increase in daily commuting.

In comparison, the lower limit increase of 10%-50% and upper limit of 151% to 200% were attested to by 13.58% and 24.69% of the respondents, respectively. An overwhelming percentage of 77.78% of the respondent subscribed to the fact that the removal of fuel subsidies has negative consequences on their life, with the exact figure hinting that this policy has negatively impacted job satisfaction and, by extension, their efficiency. Therefore, it can be concluded that removing fuel subsidies hurts the efficiency of civil servants, with NILEST being a case study.

CONFLICT OF INTEREST

The authors declare that there was no conflict of interest during this work.

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