International Journal of
Development Strategies in Humanities, Management and Social Sciences
p-ISSN: 2360-9036 | e-ISSN: 2360-9044
IJDSHMSS
July, 2025
Vol. 15, No. 1

The Politics of Premium Motor Spirit Price Deregulation: Challenges and Prospects for the Nigerian Economy

[1]Anthony Rufus &
[2]Esure Oyintonbra Larry
[1&2]Department of Political Science, Niger Delta University Wilberforce Island, Bayelsa State

Article DOI:
10.48028/iiprds/ijdshmss.v15.i1.07

Keywords:
Premium Motor Spirit, Deregulation, Economic Development, Economic Diversity, Nigeria's Economy

Corresponding Author:
Anthony Rufus

Abstract

The Nigerian government withdrew subsidies on May 29, 2023, prompting considerable displeasure and resulting in divides within the polity, with some supporting the policy while others expressing disapproval. Supporters claim that the PMS price deregulation would enable the government to devote the money saved on subsidies to other essential areas of the economy, such as health, education, agriculture, infrastructure, and economic diversification. Opponents, on the other hand, alleged that deregulation has resulted in high pricing, crime, oil smuggling to other countries, job losses in the informal sector, and other difficulties. In view of these issues, this paper discusses the challenges and bleak prospects of deregulating PMS prices in Nigeria. It combines resource curse and structural transformation as its theoretical framework. The researchers adopted a qualitative technique to investigate previous literature on the problem at hand. The study reveals that although there are potential benefits accruable from the removal of subsidies and the broader deregulation of PMS, these benefits are not felt by the average Nigerian. Rather, following subsidies removal, Nigerians across the board have faced varying magnitudes of hardship arising from high costs of living and the absence of appropriate social welfare policies and interventions. The paper, proposes that the money saved by eliminating subsidies be handled with the utmost honesty, thriftiness, and responsibility so as to boost growth in other important areas of the country's economy and improve the lives of Nigerians, particularly the most vulnerable.

Background to the Study

On May 29, 2023, the incumbent president of Nigeria, Sen. Bola Tinubu proclaimed the repeal of the Premium Motor Spirit (PMS) subsidy during his inaugural speech. The President's decision has created heated debates in the country's politics, with some supporting the President and others rejecting him. In Nigeria, PMS subsidies, commonly known as fuel subsidies, have been in effect for about a decade and are essential to the country's economy. Nigeria, which produces oil and relies almost exclusively from proceeds from its exports, has historically set aside money in its yearly budget to offer petroleum subsidies (Ohonba & Ogbeide, 2023). This is based on the idea that providing monies in the budget to pay for fuel subsidies is a fair means to spread the country's wealth while also keeping fuel prices low and consistent for everyone. Fuel subsidies are one type of government action to artificially decrease gasoline prices by giving financial support to fuel suppliers and dealers (NBS, 2021).

Fuel subsidies have been crucial for the Nigeria in a variety of ways. Its implications extend across the nation's economy, including firms (mid and small-scale), government budgets, and the government's social action activities. Fuel aid is when the government offers financial assistance and support to customers to help them pay less for gasoline, thus making it an intrinsic element of Nigeria's economic framework for many years. The major goal of the government's fuel subsidy payment is to lower the cost of petroleum products for people and companies, making them more affordable and fostering economic growth. However, there have been controversies and debates on the extent to which subsidy payments serve this goal (Alemika & Aiyede, 2012; Ohonba & Ogbeide, 2023).

Subsidies on petroleum products such as PMS, dual purpose kerosene (DPK), and automotive gas oil (AGO) can be traced back to the 1970s, when the Federal Government sought to alleviate Nigerians' plight due to the fear of rising petroleum product prices and their attendant effect on commodity prices (Olomola, 2012; Olujobi & Irumekhai, 2024). The major purpose was to mitigate the impact of increased international oil prices on local customers. The government feared that the high price of gasoline would provoke widespread discontent, so it decided to offer subsidies to keep fuel costs down. The practice subsisted over time, having a substantial economic influence on the nation. However, over time, the government's support program got more expensive due to the large costs required with maintaining deceptively low fuel prices (Iwayemi et al., 2019).

According to the International Monetary Fund, Nigeria spent roughly NGN 1.894 trillion (USD 2,357,187,170.00) on Premium Motor Spirit (PMS) handouts in 2021, which represents for 38% of its oil income of NGN 4.98 trillion (USD 6,197,883,900.00). Similarly, in 2022, Nigeria spent approximately NGN 4.611 trillion (USD 5,738,643,105.00), which amounted to 61.4 percent of its NGN 7.512 trillion (USD 9,349,097,160.00) oil revenues, with subsequent decline in oil production, but paid more on petrol subsidies to the detriment of other essential and developmental sectors such as health, education, social security, and other critical social infrastructure, resulting in an increase in the country's total debt obligations (Olujobi, & Irumekhai, 2024). This forced the termination of gasoline subsidy by the Nigeria government.

According to Olujobi and Irumekhai (2024), gasoline prices in Nigeria are computed using the 'Cost-Plus' technique. If the cost mostly consists of crude oil, then processing, shipping, loan charges, and earnings are added to establish the pump price. If the cost incorporates foreign products, port handling, marketing, and revenues are included in. Any price lower than this would result in a grant or the enterprise losing money. The government pays marketers of refined petroleum products to subsidise the prices of these imported refined products and alleviate the inevitable economic hardship on the people that would occur in the absence of these subventions, which reduce the selling price of petroleum products to less than the price when imported.

Prior to the adoption of the Petroleum Industry Act, the Petroleum Products Price Regulatory Authority (now defunct) was formed to determine the price of petroleum products sold throughout the country. Before May 29, 2023, only the price of petrol was controlled, as the prices of kerosene and automobile gasoline oil (diesel) had been hitherto deregulated or left to market forces to decide. Despite the government's attempt to subsidise the cost of petroleum products, there has been widespread dissatisfaction in the downstream sub-sector, which has been plagued by incidents of petrol price increases, scarcity, hoarding, smuggling, product adulteration, strikes, and industrial actions by concerned private actors. This has caused certain interested parties to advocate for total independence in the downstream petroleum industry, resulting in petroleum products being exposed to the market forces of demand and supply.

Proponents of PMS price deregulation, such as Falola and Heaton (2008), Adenikinju and Ebohon (2012), Oyedemi (2016), Akpan and Atan (2019), Umoru and Adeniyi (2020), claim that it is necessary to alleviate the economic burden on the government because of international oil price volatility. They also emphasised the importance of redirecting resources used to offset fuel subsidy payments to other sectors of the economy to drive sustainable development in those sectors, avoid overdependence on oil revenue, and put an end to the perennial issues impeding the downstream sector's smooth operations.

Opponents, such as Okongwu and Imoisi (2022), Ozili and Obiora (2023), and Olujobi and Irumekhai (2024), contended that high cost of PMS products arising from deregulation had a detrimental influence on the nation's economy. They went on to remark that the withdrawal of fuel subsidies has resulted in a general increase in the pricing of things as the price of PMS has risen. They also stated that PMS price deregulation has increased the country's crime rate and caused in considerable job losses in the unorganised sector due to their incapacity to fulfil the demands of modern economic realities.

Given these contentions, this article seeks to comprehensively evaluate the impact of fuel subsidy removal on the Nigerian economy. This analysis employed a qualitative method, relying largely on secondary data from journals, papers, government gazettes, reports, and government publications on the problem under review. The descriptive and topical approaches of analysis were utilised. This paper is divided into five sections, including this brief introduction. The second segment presented a short historical account of PMS price deregulation in Nigeria, while the third section evaluated the existing literature and theoretical basis for the subject matter under consideration. In the fourth section, we looked at the problems and potential of PMS price deregulation for the Nigerian economy. The final section offers the conclusion and suggestions.

A Historical Analysis of PMS Price Deregulation in Nigeria

PMS price deregulation dates back to the 1970s, when it was adopted by the military regime. This was done in reaction to the unpredictability of international oil prices in 1973 (Zinami, 2024). In reaction to the rise in the global price of oil on the international market, the Federal Government released a declaration on fuel subsidy in 1973. The Federal Government offered help by providing crude oil to local firms at below-market prices (Olujobi & Irumekhai, 2024). As a consequence of this transition, the price of the improved/ finished goods did not appropriately reflect their production costs.

The military regime of Gen. Olusegun Obasanjo provided subsidies in 1977 to ameliorate the terrible conditions arising from of the global inflation era of the 1970s, which were aggravated by the surge in oil prices. The former military government introduced the Price Control Act, which modified the way subsidies were employed. The Act made it criminal to sell several products, including gasoline, for more than the permitted price. Despite the austerity measures of 1983 and the Structural Adjustment Programme (SAP) of 1985, the federal government retained subsidies on petroleum products (Olujobi & Irumekhai, 2024; Zimani, 2024).

However, due to concerns with subsidy payment, Gen. Ibrahim Babangida's administration moved to dismantle it in 1986 when he announced the partial suspension of gasoline subsidies. The decision taken by Gen. Babangida's regime sparked chaos and outrage. For example, petrol costs climbed from 20 to 39 kobo per litre. This happened as a result of his adoption of the SAP as a demand enforced by the International Monetary Fund. The upheavals crested when workers, students, and civil society groups (CSOs) held enormous protests throughout the country. National gatherings and rallies against Babangida's economic policies were key to his exit from power, pushing his leaders to reintroduce fuel subsidies.

With the onset of the fourth republic, democratic leaders have retained fuel subsidies, albeit, with some unsuccessful efforts at removal due to its costs on government. Between 2006 and 2018, Nigeria spent over 10 trillion naira (USSD 24.5 billion naira ($7 billion) on giveaways. Nigeria has spent roughly $30 billion on fuel subsidies over the previous 16 years (Zimani, 2024). As a result, the Goodluck administration exerted efforts at removing subsidies in 2012 and the price of petrol doubled. A litre of fuel cost roughly $1, which is half of the median Nigerian citizen's daily wage. People who had been driven to rely on petrol engines due to the country's epileptic electrical supply were bewildered. This provoked extensive rallies and marches by numerous organisations throughout the country, including organised labour, student groups, CSOs and CLOs. The rallies and strikes, which lasted nearly a week, disrupted economic activity across the country. This spurred the Federal Government to decrease gasoline costs by 30%.

The incentives were cancelled again in 2016 due to a worldwide fall in oil and gasoline costs. The government maintained that it was not possible or reasonable to continue with the subsidy payment method due to the widespread cheating. However, the issue surrounding the complete decrease of PMS costs has not faded down, and it continues to reverberate in national politics. The former President Buhari government did not include a provision for fuel refund payments in the 2023 budget. As a consequence, during his inauguration speech, President Tinubu proclaimed the cessation of petrol fuel subsidies, clearing the way for PMS price reform to be decided by demand and supply dynamics.

Review of Literature

In recent years, various studies have been done by specialists to assess the impact of PMS price adjustment on the Nigerian economy. However, two competing opinions tend to dominate the literature on PMS price deregulation, also known as fuel subsidy removal, with one side advocating deregulation and the other voicing opposition to the reduction of gasoline subsidies. We have highlighted some of the studies undertaken to assess the effect of PMS price decreases and their implications on the Nigerian economy.

Afolabi et al. (2017) explored how the termination of fuel subsidies influenced Nigerian economic growth. The analysis indicated that the reduction of fuel subsidies in Nigeria resulted in a considerable rise in economic development. The authors also observed that subsidies lowered the cost of operating business, resulting in higher investment and economic growth. In another study, Iwuchukwu and Nwankwo (2017) evaluated the consequences of gasoline subsidy removal on small and medium-sized enterprises in Nigeria and concluded that the removal of fuel subsidies had a beneficial effect on SMEs in Nigeria. According to the research, PMS price reductions resulted in cheaper shipping and production expenses, which enhanced SMEs' revenue. Alade (2017) analysed the impact of gasoline subsidy removal on the Nigerian economy and concluded that the abolition of fuel subsidies has a beneficial effect on the economy. The author found that PMS price deregulation, often known as the reduction of gasoline subsidies, lowered the government's budget deficit, resulting in greater investment and economic growth. Adewumi et al. (2018) researched the impacts of gasoline subsidy decrease on Nigerian small and medium-sized firms (SMEs) and concluded that it had a negative impact. The study performed a survey of SMEs to gain information on their operations before and after the loss of financing. Ogundele et al. (2019) evaluated the impact of gasoline subsidy decrease on Nigerian macroeconomic variables and concluded that it had a neutral effect. The study employed a vector autoregression model to assess the effect of the aid reduction on inflation, interest rates, and currency rates. According to the literature examined, studies on the effect of premium spirit subsidy reduction on large, medium, and small enterprises, as well as the Nigerian economy, have been varied and consequently inconclusive. Ozili (2023) also researched the economic consequences of the termination of fuel subsidies in Nigeria. Using discourse analysis, the author revealed that abolishing gasoline subsidies has macroeconomic repercussions, such as freeing up financial resources for the growth of other sectors of the economy, enabling the government to boost expenditure on education, healthcare, and infrastructure. The analysis also indicated that reducing gasoline aid has a detrimental influence on the Nigerian economy, such as lowering economic growth and rising prices.

Lin and Li (2012) analysed the case of China and showed that abolishing fuel subsidies would produce externalities in China while providing positive externalities in other regions of the world. In a similar research, Ouyang and Lin (2014) concluded that the economic gains of green energy support were smaller than the economic benefits of abolishing fossil fuel subsidies in China. Erickson et al. (2017) showed that abolishing tax subsidies and other fossil fuel support policies would speed the execution of the G20 climate pledges. Bekhet and Yussof (2016) evaluated the influence of energy aid removal on energy usage and possible energy savings in Malaysia. The study employed the regression technique to determine the factors and revealed that energy aid removal may impact energy demand and result in large energy savings in Malaysia. Onyishi et al. (2012) explore the internal and international consequences of Nigeria's gasoline price removal problem. The authors performed their analysis using a qualitative method and found that PMS price reductions in Nigeria had complicated repercussions on government income, inflation, trade balance, and political security. This paper adds to the continuing topic about PMS price deregulation, commonly known as gasoline subsidy reduction, by employing a political economic method in our examination of the elements under consideration.

Theoretical Framework

To meet its aims, this paper utilises two theories: structural transformation theory and resource curse theory. Arthur Lewis established the structural transformation theory in 1955, which asserts that when government expenditure rises, particularly in response to the loss of fuel subsidies, private sector spending declines (Ohonba & Ogbeide, 2023). To spend more, the government needs more extra money. This is achieved by raising taxes or borrowing via the sale of government securities. Increased taxes may lead to a decline in income and spending for people in the informal sector and enterprises.

The structural change is vital in this piece as it tackles current facts concerning the Nigerian economy. The Nigerian government's suspension of gasoline subsidies is viewed as part of initiatives to decrease spending and shift oil earnings to other key areas of the economy. As previously mentioned, proponents of PMS price reduction believe that the withdrawal of gasoline subsidies is an attempt by the Nigerian government to extend the economy to make other sectors more productive, such as health, economics, and infrastructure. In the case of Nigeria, PMS price decreases can be regarded as a move to minimise the country's overreliance on oil money. The federal government intends to boost the economy and counteract the hard-economic realities of international oil price swings by reallocating resources from oil earnings to other businesses.

The structural change notion was reinforced by the resource curse theory. The resource curse, commonly known as the paradox of plenty, characterises a country's failure to make its wealth a reality by enhancing its people's living conditions. Richard Auty suggested this hypothesis in 1993. He invented the expression "resource curse" to explain how nations with large mineral resources were unable to use that riches to boost their economies, and how, counterintuitively, these countries had lower economic growth rates than those without considerable natural resources. According to Olujobi and Irumekhai (2024), while the discovery of natural and mineral resources may lead to the expectation of improved citizen welfare, countries rich in these resources tend to experience high levels of conflict and authoritarianism, as well as reduced economic stability and growth when compared to neighbouring countries with fewer resources. The resource curse hypothesis consists of two fundamental components: the Dutch disease and the rentier state. The Dutch disease highlights that a considerable rise in income obtained from natural resources may have a severe influence on other sectors of the economy, notably export-oriented businesses, due to factors such as inflation or currency rate changes. This condition may result in a transfer of employment and capital from non-resource sectors to the resource sector, with long-term implications. For example, Iran, Russia, Trinidad & Tobago, Venezuela, and other nations have seen industrial sectors deteriorate or collapse substantially as a consequence of the Dutch disease. To overcome the problems posed by the Dutch disease, states need to coordinate their efforts and demonstrate concentrated leadership.

The notion of a rentier state means that countries' economy is largely dependant on rent, which refers to non-productive elements such as material or natural resources. Second, a large percentage of this rent comes from foreign sources, necessitating the economy to support itself via a healthy local producing sector. Finally, just a small percentage of the country's population is engaged in the actual production of rent, whilst a big proportion is actively involved in the distribution and utilisation of these rent-based resources (Olujobi & Irumekhai, 2024; Ohonba & Ogbeide, 2023). Nigeria is a rent-seeking country, so the notion of rentier state relates to Nigeria and, by extension, is pertinent to this work. This is premised on the notion that Nigeria's economy is largely reliant on oil money collected from rents or fees paid by international oil firms for oil research and production operations in the country.

It is a known fact that Nigeria is the world's 12th biggest oil producer and the largest in Africa. Additionally, there's no gainsaying that the country's oil and gas industry remains crucial to its economic development and social growth. Oil money accounts for a greater percentage of financing the country's budget. Income from the oil industry accounts for about 80% of Nigeria's financial resources and nearly 95% of the country's foreign exchange currency gains (statista.com). Furthermore, oil money makes for about 40% of the nation's GDP.

Implications of PMS Price Deregulation on the Nigerian Economy

PMS price deregulation has caused substantial controversy in Nigeria, due to its potential influence on economic growth. This dispute has resulted in two camps: one side supports the government's withholding of aid, while the other opposes the decision. It should be emphasised that, while the reason for reducing fuel aid is typically to strengthen the government's fiscal sustainability and promote long-term economic growth, the immediate implications could be complicated and diverse. In what follows, the authors swiftly describe some of the issues that PMS price decreases brought to the Nigerian economy.

PMS price reductions have prompted great controversy owing of the possible economic effects, notably for government budgets and fiscal dynamics (Evans et al., 2023). Recent academic articles suggest that this is a big concern in Nigeria. For example, Akinyemi-Babajide et al. (2017) did a computer study on the impacts of fuel aid reduction on the agriculture sector, using a dynamic computable general equilibrium (CGE) approach. The study's results indicated that aid withdrawal would have far-reaching effects for several sectors of the Nigerian economy, including changes in government income and spending patterns. The authors highlight the significance of understanding the intricate interaction between subsidy removal, sectoral performance, and budget trends.

Another difficulty with PMS price decline is its detrimental influence on economic growth. Fuel subsidy removal inhibits economic growth. This was backed by Mohammed et al. (2020) and Houeland (2020), who argued that decreasing PMS costs would result in a loss in economic growth. They illustrated this by pointing out that the elimination of fuel subsidies affects the cost of necessary items and services. To this end, people would have less extra money to invest in commercial enterprises. The loss of fuel aid has also resulted in a high inflation rate, aggravating Nigeria's poverty and inequality. For example, the annual inflation rate for the 12-month period ending December 2023 was 20.76%. The core inflation rate was 1.82% month on month. In August 2024, the overall inflation rate was 32.2%, with food inflation at 37.5%, housing and energy at 28.1%, restaurants and hotels at 29.3%, and health at 22.5% (NBS). The removal of fuel subsidies led the price of PMS to soar from a low of #190 in May 2023 to #537 in June 2023 (shortly after President Tinubu's proclamation) to #617 in July 2013 in the Federal Capital Territory. It is presently priced between #1115 and #1200, depending on the area.

PMS subsidies removal have led to high inflation. The Consumer Price Index (CPI), which quantifies the rate of change in the prices of goods and services, is a helpful indicator for measuring the economic dynamics that follow from such policy changes (Evans et al., 2023). According to a study performed by the National Bureau of Statistics (NBS), Nigeria's CPI jumped to 22.41% in May 2023, signifying the sixth consecutive rise in Nigeria's inflation rate in the year 2023. At the time, the National Bureau of Statistics (NBS) projected that the CPI will hit an all-time high of 825.40 points in October 2024.

Several studies have looked at the association between PMS price decreases and inflation rates. For example, Iwuchukwu and Nwankwo (2017) evaluated the influence of fuel freebies on Nigeria's consumer price index. The statistics demonstrated that PMS price decreases tend to impose upward pressure on the CPI, resulting in inflationary tendencies. Energy-intensive businesses, such as manufacturing, may incur increased production costs as a result of growing fuel usage. This could diminish competition for locally manufactured commodities. The above indicates that it stifles economic growth. The high price of PMS has resulted in job losses in the informal sector due to their inability to satisfy their companies' fuel needs. Consequently, most enterprises have either closed or downsized their personnel in order to satisfy the demands of the new pricing system.

The surge in PMS costs has far-reaching socioeconomic repercussions, especially for the poor. Rentschler et al. (2016) performed a study that illustrates the geographical variation of poverty implications produced by the elimination of fossil fuel subsidies, indicating how such changes may have a substantial impact on particular locations and populations. Mmadu and Akan (2013) also explored the implications of low subsidies in Nigeria's oil sector on family welfare, offering useful insights into the link between subsidies and disadvantaged communities. This was one of the driving causes for the End Bad Governance Protest, which was slated to take place between August 1st and 10th 2024. The rally, among other things, was designed to demonstrate the populace's displeasure at the Federal government's decision, which inflicted unspeakable suffering to a big percentage of the Nigerian community. Protests have a detrimental influence on a country's social structures. This caused the government to call the protest leaders to a conference aimed at offering long-term answers to the challenges outlined by the organisers.

The Effect of PMS Price Deregulation on the Nigerian Economy
Despite the challenges linked with the PMS price fall, it delivers certain good results for the Nigerian economy.

Reduction of Borrowing: One of the advantages of PMS price reduction is that they aid to minimise government borrowing, which typically adds to a budget imbalance. During the subsidy era, a major percentage of the nation's yearly budget was always set aside for subsidy payments. When governments fail to achieve their financial responsibilities, they typically borrow from the World Bank and other financial bodies to balance aid payments. As a consequence, the government's budget ends up being in deficit. However, the removal of fuel subsidies has lowered government borrowing and the corresponding big deficit (Olujobi & Irumekhai, 2024).

Provision of Surplus Budget: Another benefit of the PMS price deregulation is that it will create additional money in the future. Studies imply that gasoline subsidies have contributed to Nigeria's mounting budget deficit over the previous decade, stressing the requirement to reduce fuel subsidies (Ozili & Obiora, 2023). The agreed-upon 2023 budget was just $21.83 trillion. This suggests that fuel costs consumed about 77% of the budget, driving Nigeria into a fiscal deficit. This suggests that 90% of Nigeria's earnings was employed to pay off foreign debt, further confounding the country's financial condition. As a consequence, PMS price deregulation is a favourable development for Nigeria's finances as it provides an extra national budget that can be utilized efficiently and economically to promote the growth of other critical sectors of the economy.

Provision of Resources for Investment in Other Sectors: Money saved by paying for fuel assistance may be relocated and allocated to other essential areas of the Nigerian economy, such as health, education, agriculture, roads, and other public facilities. Spending the freed-up resources from PMS price reductions on the aforementioned key areas of the economy will help to enhance and expand people's living standards while also supporting economic growth. Scholarly studies propose that resources utilised for aid payments could be committed to public building projects that encourage economic growth (Majekodunmi, 2013; Evans et al., 2023).

Discourages Smuggling: PMS price flexibility lessens the urge for petroleum transfers to adjacent countries, which mitigates security risks related with illegal processing (also known as bunkering), pipeline vandalism, and other criminal activity. With appropriate management of the cash from fuel assistance payments, it will go a long way towards reducing the actions of these jobless youngsters by involving them meaningfully in other productive pursuits.

Supports Investment in local refineries and improves Job Creation.: The lack of finance fosters an atmosphere for private sector investment in the downstream sector, resulting in the establishment of local manufacturers and enhanced energy security. This encourages those with government permission to cultivate local flora. The creation and functioning of the Dangote refinery, as well as the start-up of the Portharcourt refinery, give considerable insight in this regard. As a consequence, the swarming populace would have access to several professional choices.

Discourages the Import of Gasoline: PMS price modification prevents large-scale gasoline imports from other surrounding countries. With the unseen forces of demand and supply determining the pricing of PMS, unwholesome brokers' activities would be prohibited, severely deterring the purchase of petroleum from other countries. Subsidy elimination lessens the enormous purchase of gasoline, resulting in fewer demand for foreign currencies, a stronger currency (Naira), and lower imported inflation (Olujobi & Irumekhai, 2024).

Deregulation of the downstream sector stimulates greater activity and success for downstream firms, which adds to higher tax revenue and benefits diverse value chain stakeholders. As stated in the Petroleum Industry Act of 2021, total deregulation of the PMS market is better to partial deregulation as it eliminates subsidising policy politics and petrol prices in Nigeria. Furthermore, the removal of subsidies may have a substantial favourable influence on human health, as indicated by a World Bank analysis that estimated that abolishing fossil fuel subsidies in 25 countries may save a total of 360,000 lives by 2035 due to reduced air pollution and health outcomes. The absolute spending impact of a change in fossil fuel subsidies on the richest decile would be 13 times greater than on the lowest-income decile, reinforcing findings that fuel subsidies are not an effective strategy to aid lower-income individuals in a country (Olujobi & Irumekhai, 2024).

Conclusion and Recommendations

PMS price deregulation has prompted a heated dispute between two opposing factions, with one supporting and the other denouncing the government's plan. This study intended to add to the continuous discourse regarding the subject under consideration by illustrating the negative implications and favourable benefits of PMS price drop. The termination of gasoline aid has obviously brought a lot of challenges; nonetheless, there have been some beneficial effects for the Nigerian economy.

Nigeria's oil and gas sub-sector has long experienced challenges such as fuel shortages, product hoarding and theft, all of which affect the government's efforts to make the product inexpensive and accessible to the people, as well as strike actions. The government's manner of supporting gas has been questioned for imposing a load on the budget and providing the illusion that the subsidy scheme includes problems. PMS price freedom, together with greater government monitoring, honesty, openness, and accountability, has been recommended as a feasible solution if the advantages of gasoline subsidy withdrawal are to be retained. An assessment of the history of subsidy payments for fuel commodities in Nigeria indicate that subsidies have always been a money hole that must be abolished. However, it is important to note that the increased costs of petrol now have a multiplier effect on the prices of goods and services in the country, resulting in inexorably and unavoidably increased costs of living in a country where 63% of the population (133 million people) is multidimensionally poor, according to the National Bureau of Statistics. In light of this, the following suggestions are offered in this study.

1. Funds that ought to have been expended on subsidy payment should be transferred to other essential areas of the economy, such as health, education, security, and other public assets. Redirecting monies for subsidies to other critical areas will considerably improve people's living situations and lower suffering to a reasonable level. People demand a better standard of living, which the government should prioritise. There is a need for accountability and transparency in the oil and gas industry's downstream sub-sector to counteract deception and rent-seeking activities that may be tied to the funds earned by the removal of subsidies. Civil society groups in Nigeria should engage with the Nigeria Extractive Industries Openness Initiative (NEITI) to enhance transparency and accountability in the downstream sub-sector.
2. The government should promote investment in local industries. There is a true and powerful approach for countering variations in gasoline rates on the worldwide market. Supporting investment in local facilities will serve to minimise Nigeria's dependency on imported petroleum products. The presence of local manufacturers will give numerous job possibilities and help economic growth in the long run.
3. In line with Nigeria's Energy Transition Plan, the government should encourage the use of natural gas as a cleaner energy source than petrol and other fossil fuels. Natural gas is the most widespread natural fuel in the country, surpassing oil. Nigeria possesses an astonishing 188 trillion cubic feet (tcf) of proven gas reserves, making it the world's seventh greatest gas resource (Olujobi & Irumekhai, 2024).

Gas may be employed to create and transport energy utilising gas generators. This should be endorsed by the government and given considerable attention.

4. There is also a need to increase the enforcement of consumer protection and market rules. Since the government has opened the downstream sub-sector, it is vital to maintain strict compliance with current consumer protection and competition regulations such as the Federal Competition and Consumer Protection Act, the Petroleum Industry Act, and the Price Control Act, among others. Related to this, the government should create strict regulations and effective monitoring measures to prevent unwholesome agents from rising the price of goods and services. The existing high cost of goods and services has driven up the country's poverty rate.
5. The government should improve social safety nets by noting the probable negative impacts of PMS price flexibility on vulnerable communities and companies. The government should expand social safety nets to support low-income families and give financial help to firms that are suffering financial problems due to higher expenditures. Such bonuses aid small firms overcome the challenging economic situations. The informal sector also contributes to job creation, hence recognising them would assist in encouraging economic prosperity in the country.

References

Adenikinju, A., & Ebohon, O. J. (2012). Petroleum products pricing reforms in Nigeria: Welfare implications of policy instruments. *African Development Review, 24*(3), 233-246.

Adewumi, O. A., et al. (2018). The effect of fuel subsidy removal on small and medium-sized enterprises in Nigeria. *Journal of Business Management and Economics, 7*(2), 1-12.

Afolabi, A. A., et al. (2017). The impact of fuel subsidy removal on economic growth in Nigeria. *Journal of Economics and Sustainable Development, 8*(1), 1-10.

Akinyemi-Babajide, O., et al. (2017). *A simulation of the removal of fuel subsidy and the performance of the agricultural sector in Nigeria using a dynamic computable general equilibrium approach*. Retrieved at https://www.researchgate.net/publication/318216273

Akpan, U. F., & Atan, J. A. (2019). Fuel subsidy and economic growth nexus in Nigeria, *International Journal of Energy Economics and Policy, 9*(3), 287-292.

Alade, S. O. (2017). The impact of fuel subsidy removal on the Nigerian economy, *Journal of Economics and Sustainable Development, 8*(1), 23-32.

Alemika, E. E., & Aiyede, R. (2012). Impact of corruption on economic growth in Nigeria, *Journal of Sustainable Development, 5(*2), 42-50.

Auty, R. M. (1993). *Sustaining development in mineral economies: The resource Curse Thesis*, Routledge.

Bekhet, H. A. & Yusoff, N.Y.B.M (2016). Impacts of energy subsidy reforms on the industrial energy structures in the Malaysian economy: A computable general equilibrium approach, *International journal of energy economics and policy, 6(*1), 01-18.

Erickson, P., et al. (2017). Effect of subsidies to fossil fuel companies on United States crude oil production, *Nature Energy, 2(*11), 891-898.

Evans et al. (2023). The socio-economics of the 2023 fuel subsidy removal in Nigeria, *Biz Econs Quarterly, 17,*12-32.

Falola, T., & Heaton, M. M. (2008). *A history of Nigeria*, Cambridge University Press.

Iledare, O., et al. (2019). Fuel subsidy, oil revenue and economic growth nexus in Nigeria: Multivariate and asymmetric analysis, *Energy Economics, 84*, 104-520.

Iwayemi, A. et al. (2019). Economic implications of fuel subsidy removal in Nigeria, *Journal of Economic and Sustainable Development, 10(*8), 58-69.

Iwuchukwu, C., & Nwankwo, I. (2017). The effects of fuel subsidy removal on small and medium scale enterprises in Nigeria, *Journal of Economics and Sustainable Development 8*(6), 115- 123.

Mmadu, B. C. & Akan, D. C. (2013). Inefficient subsidy in Nigeria oil sector; implications for revenue generation and household welfare in Nigeria, *International Journey of Revenue Management, 7(*1), 75-90.

Mohammed, A.B. et al. (2020). Assessment of impact of fuel subsidy removal on socio-economic characteristics: A survey of households in Maiduguri, Borno State, Nigeria, *Journal of business and Economic Development, 5(*1), 10.

Ogundele, O. O., Afolabi, A. A., & Oseni, O. O. (2019). The impact of fuel subsidy removal on macroeconomic variables in Nigeria, *Journal of Economics and Sustainable Development, 10(*1), 22-32.

Ohonba, N. & Ogbeide, S. O. (2023). Premium motor spirit subsidy removal and implications on business and economy in Nigeria, *African Development Finance Journal, 6(1*), 161-175.

Okongwu, C. J., & Imoisi, S. E. (2022). Removal of petrol subsidy: Legal implications for the Nigerian economy, *Nnamdi Azikiwe University Journal of International Law and jurisprudence, 13*(2), 135-139.

Olomola, A. S. (2012*). The political economy of fuel subsidy removal in Nigeria. In A. S. Olomola (Ed.), Fuel subsidy reinvestment and sustainable development in Nigeria* (pp. 1-26), African Economic Research Consortium.

Olujobi, O. J. & Irumekhai, O. S. (2024). An analysis of the abolition of premium motor spirit (PMS) subsidies in Nigeria: A breach of social contract or climate change action? https://doi.org/10.1007/s43621-024-00252-z.

Oyedemi, T. (2016). Economic implication of fuel subsidy removal in Nigeria. *International Journal of Economics*, *Commerce and Management, 4*(4), 22-28.

Ozili, P. K. & Obiora, K. (2023). *Implications of fuel subsidy removal on the Nigerian economy*, https://www.researchgate.net/publication/372959038

Ouyang, X., Lin, B. (2014). Impacts of increasing renewable energy subsidies and phasing out fossil fuel subsidies in China. *Renewable and Sustainable Energy Reviews, 37,* 933-942.

Houeland, C. (2020). Contentious and institutional politics in a petro-state: Nigeria's 2012 fuel subsidy protests. *The Extractive Industries and Society, 7*(4), 1230-1237.

Lin, B., & Li, A. (2012). Impacts of removing fossil fuel subsidies on China: How large and how to mitigate? *Energy, 44(*1), 741-749.

Majekodunmi, A. (2013). The political economy of fuel subsidy removal in Nigeria, *International Journey of Management and Social Sciences Research, 2*(7), 76-81.

2021 Report, National Bureau of Statistics, Federal Republic of Nigeria.

Rentschler, J., et al. (2017). *Fossil fuel subsidy reforms and their impacts on firms*, Retrieved from www.elsevier.com/locate.enpol.

Umoru, D., & Adeniyi, O. (2020). Political economy of subsidy removal policy in Nigeria: A critical discourse. *Journal of Economics and Political Economy, 7*(3), 251-263