

## Fuel Subsidy Removal and Household Expenditure Pattern of Public Servants in Akwa Ibom State: A Study of Akwa Ibom State University

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### ABSTRACT

The removal of fuel subsidies in Nigeria has significant economic implications, particularly on household expenditure, with public servants being one of the most affected groups. The aim of this research was to strategically assess fuel subsidy removal and household expenditure pattern of public servants in Akwa Ibom state, a case study of Akwa Ibom State University. Descriptive survey design was adopted for the study. The population of this study consisted of 996 members of both Academic and Non-Academic staff of Akwa Ibom State University and random sampling technique was used to select 277 respondents. Both primary and secondary source of data was utilized for the study. It was established in the study that the highest-rated impact is the increase in the cost of staple foods (Mean = 4.34), followed closely by the reduction in the quantity of food purchased (Mean = 4.30). The highest-rated impact is the reduction in the ability to afford medications (Mean = 4.29), followed closely by the increase in hospital visit costs (Mean = 4.25). The data indicate that many staff members struggle with the rising expenses of medical care, leading to a decline in regular check-ups and specialist visits. The findings highlight the financial strain faced by households, necessitating adjustments in their food consumption patterns due to rising costs. The study concluded that fuel subsidy affected the accessibility of critical services, including healthcare and education, following subsidy removal and finally, critical services such as healthcare and education were affected due to subsidy removal. Alternatively, one of the recommendations made, along with others, is that government should replace the blanket fuel subsidy with targeted programs for low-income earners, including public servants, to cushion the economic effects of increased fuel prices.

**Keywords:** *Fuel Subsidy Removal, Household Expenditure Pattern, Public Servants, Akwa Ibom State University (AKSU), Akwa Ibom State.*

### INTRODUCTION

Nigeria which is believed to be the most populous black African nation with a population of approximately 168.8 million spread over an area of about 923,800sq kilometers is among the few nations in the universe amply blessed with abundant human and natural resource for development. Since the discovery of oil by Shell-BP in Nigeria in 1956 at Oloibiri, Bayelsa State of Nigeria. From the time of this discovery to the present, Nigeria has been steadily increasing its production of oil, and dependence on it. Presently, Nigeria is one of the

largest oil producers in Africa and the sixth largest producer in the world. It holds reserves of some 37 billion barrels of oil and produces around 2 million barrels per day. Earnings from oil constitute approximately 90 percent of total foreign exchange earnings and over 70 percent of government revenues. In the 1970s, Nigeria introduced subsidies into its economy, specifically targeting petroleum products. Fuel subsidies involve the government absorbing a portion of the cost that consumers would otherwise pay for petroleum, effectively reducing fuel prices and alleviating the financial burden on consumers.

The subsidy is government actions designed to reduce the cost of specific goods for consumers or ensure higher-than-market returns for producers. These policies can encompass direct price interventions, such as grants, tax exemptions, and price controls, as well as indirect mechanisms like regulatory adjustments, preferential funding for specific fuels, or investments in research and development (Akpan & Uford, 2024). It is the cash incentive given by the government to an industry with a view to lower the price of the product of the concerned industry and to raise its competitive power. This may be given as a counter balancing measure to the imposition of the custom duty (in the nature of protection duty) by an importing country government (Ozili & Arun, 2023; Omotosho, 2020; Adegboye et al., 2021). One important objective of subsidy is to keep its prices below the cost of production. Fuel subsidy is any policy by the government that is aimed at reducing the price of energy consumed by citizens relative to what the price would have been in the absence of such policy. Fuel subsidy is a government programme created to reduce how much Nigerians have to pay for petroleum motor spirit (PMS), automotive Gas Oil (Diesel), and to protect the citizens from crude oil volatility on the international market (Ovaga & Okechukwu, 2022).

Nigeria is the largest oil-producing country in Africa. Export of petroleum is the mainstay of the economy and the major source of revenue for the country; contributing over 95% to export earnings and 70% total government revenue. It exports over 80% of crude petroleum and imports over 70% of refined products to meet the domestic demand, as the domestic refineries are not capable to meet growing demand. Petroleum products accounted for the most highly consumed energy source of about 36% in 2009 next to biomass. The products consist mostly of premium motor spirit (PMS) commonly known as gasoline and automotive gas oil (AGO) commonly used for transportation and power generation. It also includes household kerosene for cooking and lighting in households amongst others (Tilak, 2022; Ovaga & Okechukwu, 2022).

Among these products, premium motor spirit is widely consumed constituting about 76.4% annually. Until 2023 when the removal fuel subsidy was announced the government, the price of petroleum products has been regulated through subsidy as their domestic prices have been below their import costs. The government finances the gap through subsidy, even when there is a bigger gap arising from higher international price. These costs have grown over years between 1.5% and 3.4% of yearly GDP from 2006 to 2011 and had cost over 39% of the government expenditure in 2011. The growing subsidy cost has drawn attention to questions of sustainability as it is being financed at the expense of the real sectors growth in the economy such as agriculture, manufacturing and service sectors. On the consumer side, subsidy has proven to be regressive, benefitting largely the richest group. The above challenges have informed a corrective measure of subsidy withdrawal in the country in 2005, which was reversed to a gradual withdrawal due to extensive strikes and violent public protests particularly by low-income population groups (Jensen, & Miller, 2011; Ray, 2023).

Despite the abundant natural resource endowment in Nigeria and its vast arable land, the Nigerian economy is a monolithic economy depending on crude oil export for its major

source of government revenue and budgetary expenditure. It is observed that crude oil sales contribute about 90% of Nigeria's foreign exchange earnings, 60% of its revenue and 8% of gross domestic product (GDP). Besides, fuel is a very significant factor in production in every aspect of the Nigerian economy, its importance in the economy cannot be undermined. The Nigerian economy to a large extent depends on Petroleum Motor Spirit (PMS) either for transportation of goods or for service provision. Petroleum motor spirit is an important source of energy in Nigeria, that the economy heavily depends on it to drive economic activities (Arze del Granado *et al.*, 2010; Coady *et al.*, 2015).

Petroleum Motor Spirit (PMS) may not be used in the actual production of goods but it is used for their distribution; adding to their final cost of production. Hence, Nigeria is a high consumer of energy fuel. Unfortunately, with four government owned refineries with an installed capacity of 445,000 barrels per day, more than enough to cover its domestic requirements, Nigeria is still a net importer of refined petroleum products making it the only member of the Organization of Petroleum Exporting Countries (OPEC) still importing refined fuel. Successive Nigerian governments, despite huge earnings from oil export, have failed in the provision of social amenities needed by its people and in poverty reduction, hence, the introduction of fuel subsidy in the mid-1980s to ameliorate the suffering of the people due to the high cost of pump price of fuel (Anand *et al.*, 2013; Umar and Umar, 2013; Razak *et al.*, 2014).

Moreover, Akwa Ibom State is characterized by its unique socio-economic dynamics, makes it essential to explore localized impacts (Uford *et al.*, 2022). Akwa Ibom State University employees represent a segment of the workforce whose expenditure patterns can provide insights into the broader economic implications of subsidy removal. The removal of fuel subsidies has been shown to disproportionately affect lower and middle-income households, as fuel price hikes lead to increased costs of basic goods and services. For instance, Akwa Ibom State University employees who are predominantly salaried workers, the changes in fuel prices can significantly alter their monthly expenditure patterns.

### **Statement of Research Problem**

Subsidy reforms are central to economic restructuring in developing countries, where subsidies often strain public finances and crowd out essential investments. In Nigeria, President Bola Tinubu announced the removal of fuel subsidies on May 29, 2023, citing inefficiency and unsustainability. The savings were intended for infrastructure and social welfare, but the move led to rising fuel prices, affecting household expenses, especially in areas like food, transport, and overall well-being—particularly for staff at Akwa Ibom State University. The impact of fuel subsidies in Nigeria is debated. While some studies (Asare *et al.*, 2020; Ozili & Arun, 2023) support their removal for long-term benefits, others (Umeji & Eleanya, 2021; Omotosho, 2020) warn of adverse effects like inflation, inequality, and reduced living standards. Fuel subsidies have also been linked to corruption and inefficiencies in Nigeria's oil sector (Ovaga & Okechukwu, 2022). Subsidy withdrawal affects prices across sectors—transportation, food, utilities—raising production costs and household expenditures (Coady *et al.*, 2015; Adegboye *et al.*, 2021). These effects disproportionately impact public servants, who rely on fixed salaries and make up a large share of Nigerian households (NBS, 2010). Although compensation strategies exist, they often favor non-public servants, leaving many public workers worse off (Ebi & Egbon, 2019).

The recent removal of fuel subsidies is expected to lead to an increase in fuel prices, which can have a cascading effect on the cost of goods and services, thereby affecting

household expenditure patterns. The increase in fuel prices can directly affect transportation costs and indirectly impact the prices of goods and services due to higher production and distribution costs. Changes in household expenditure patterns can influence the overall financial stability and quality of life of the employees of Akwa Ibom State University. Studies have shown that fuel subsidy removal can lead to significant adjustments in household budgets. For instance, higher fuel prices tend to increase transportation and food costs, compelling households to reallocate their budgets, often reducing expenditure on non-essential items. Similarly, the removal of fuel subsidies could exacerbate poverty and inequality, particularly affecting those with fixed incomes, such as university employees.

The removal of subsidies has significantly influenced the increases fuel prices, which raises transportation costs and, by extension, the prices of goods that depend on transportation for distribution. For university employees, this can result in higher commuting costs, increased food prices, and elevated costs for other necessities. Higher living costs can reduce disposable income, affecting employees' ability to save or invest in long-term goals such as education and property. Additionally, increased household financial strain can lead to higher levels of stress and reduced quality of life, which may affect productivity and overall job satisfaction among university employees.

Despite extensive research, little focus has been placed on how subsidy removal affects public sector workers specifically. This study aims to fill that gap by examining the impact of fuel subsidy removal on household spending among public servants in Akwa Ibom State, using Akwa Ibom State University as a case study.

### **Objectives of the Study**

The objectives are:

- (i) Fuel subsidy removal on consumable goods like food of household expenditure pattern of public servants in Akwa Ibom State University.
- (ii) Fuel subsidy removal on transportation cost of household expenditure pattern of public servants in Akwa Ibom State University.

### **Research Hypothesis**

Ho<sub>1</sub>: There is no significant relationship between fuel subsidy removal and cost of consumable goods like food of household expenditure pattern of public servants in Akwa Ibom State University.

Ho<sub>2</sub>: There is no significant relationship between fuel subsidy removal and transport cost of household expenditure pattern of public servants in Akwa Ibom State University.

## **REVIEW OF RELATED LITERATURE**

### **Overview of Fuel Subsidy**

A subsidy is defined as any measure that keeps prices for a good or product below market level for consumers or producers. Subsidies can take different forms like grants, tax reduction or exemption and price control (Alozie, 2009). Oxford Advanced Learners Dictionary (2001) defined subsidy as money paid by a government or an organization to reduce the cost of service or that of producing goods so that their prices can be kept low. A subsidy is a financial assistant provided by the government or another public entity to support economic sectors deemed vital for the overall welfare of the society. Subsidies aim to lower the prices

for consumers, support businesses, and ensure the availability of essential goods and services. According to Mankiw (2020), subsidy can be defined as the cash incentive given by the government to an industry with a view to lower the price of the product of the concerned industry and to raise its competitive power. This may be given as a counter balancing measure to the imposition of the custom duty (In the nature of protection duty) by an importing country government. One important objective of subsidy is to keep its prices below the cost of production.

In addition, Bakare (2012) points out that, to subsidize is to sell a product below the cost of production. Thus, when we talk of fuel subsidy within the Nigerian context it means to sell premium motor spirit below the cost of importation. January 1, 2012 cannot be seen nor described as the best New Year's gift to Nigerians when fuel subsidy on Premium Motor Spirit (Fuel) was removed, courtesy of the new policy announced by the Petroleum Product Pricing Regulatory Agency (PPPRA). As a matter of fact, the problem of fuel subsidy removal or sustaining subsidy regime had featured as a dominant topic for public debate until May 29<sup>th</sup>, 2023 when President Ahmed Bola Tinubu in his inaugural speech lead the issue of fuel subsidy to rest in Nigeria when he said "fuel subsidy is gone".

Moreover, subsidy can also be defined as any measure that keeps prices consumers pay for a goods or products below market levels for consumers or for producers above market. Subsidies take different forms as these subsidies have a direct impact on price. These include grants, tax reductions and exemptions or price controls. Others affect prices or costs indirectly, such as regulations that skew the market in favour of a particular fuel, government sponsoring technology, or research and development.

Furthermore, according to OECD, subsidy is basically government action that decreases the consumption price of the consumer and or increases the selling price of the producer. Subsidies enjoy widespread use in several countries and several commodities such as petroleum products, food or farm inputs like fertilizer and machinery to improve on agricultural output in other to guarantee food security (Tilak, 2022). Fuel subsidy is a government programmeme created to reduce how much Nigerians have to pay for petroleum motor spirit (PMS), automotive Gas Oil (Diesel), and to protect the citizens from crude oil volatility on the international market. Fuel subsidy is a government discount on the market price of fossil fuel to make consumers pay less than the prevailing market price of fuel (Ovaga and Okechukwu, 2022). When subsidies are in place, consumers would pay below the market price per litre of the petroleum product. Globally, there are debates about fuel subsidy because of its huge amount and its effect on citizens welfare and the fiscal health of a nation. However, the removal of fuel subsidy is contentious because there is the argument that fuel subsidy is a form of aid because it makes fuel more affordable for the poor.

Fuel subsidy can also be referred to the effort by the government to pay for the difference between the price of fuel in the pump and the actual cost of the product. So by paying the difference, the government enables fuel to be sold at a lower price so that it will help alleviate the burden on its people especially the lower income group. Fuel subsidy in Nigeria was before the coming of the Buhari's administration, it is a policy of federal government meant to assist the people of Nigeria to cushion the effects of their economic hardship. Conceptually, Subsidies can be categorized into several types, including direct subsidies, tax subsidies, and cross-subsidies.

**Direct Subsidies:** Direct subsidies involve explicit financial transfers from the government to producers or consumers. For instance, agricultural subsidies in the United States provide farmers with direct payments to stabilize incomes and promote food security (Gardner, 2019).

**Tax Subsidies:** Tax subsidies, on the other hand, involve reductions in tax liabilities. These can take the form of tax credits, deductions, or exemptions. For example, the Earned Income Tax Credit (EITC) in the United States provides low-income workers with a refundable tax credit, which effectively increases their disposable income (Eissa & Hoynes, 2016).

**Cross-Subsidies:** Cross-subsidies occur when the revenue generated from one group is used to subsidize another group. This is common in utilities and telecommunications sectors, where urban customers may pay higher rates to subsidize services for rural customers (Röller & Waverman, 2021).

### **Fuel Subsidy Removal and Transportation**

Expenditure patterns of Akwa Ibom State University (AKSU) staff can significantly impact their quality of life and job performance. Staff members of AKSU face a variety of financial challenges, with transportation, food, and utility costs being primary concerns. These expenditures not only affect their economic well-being but also influence their overall job satisfaction and productivity. When the mental burden of financial instability affects the psychology of a person it can reduce focus, motivation, and overall job performance, potentially affecting the quality of education provided to students (Obasi, & Mba, 2021).

Fuel subsidy removal brought about the rising cost of fuel which has become a significant economic challenge in Nigeria, with profound impacts on various aspects of daily life of the staff at Akwa Ibom State University (AKSU). The high cost of fuel has drastically influenced their transportation expenses, subsequently altering their overall expenditure patterns. One of the most immediate and direct impacts of high fuel costs is the increase in transportation expenses. Many AKSU staff members commute from different parts of the state, and the higher fuel prices mean that their daily travel costs have surged. This increase is not only limited to personal vehicle owners but also affects those who rely on public transportation. With transport operators adjusting fares to reflect the higher fuel costs, the commuting expenses for staff have seen a notable rise. Consequently, a larger portion of their monthly income is now dedicated to transportation, leaving less available for other necessities.

### **Fuel Subsidy and Food Expenditure**

The high cost of food significantly influences the expenditure patterns of Akwa Ibom State University staff leading to various economic and social implications. The primary effect of the high cost of food on AKSU staff is the alteration of their spending habits. As food prices soar, a larger portion of their income is allocated to purchasing basic necessities. This shift reduces the disposable income available for other essential and non-essential expenditures. Therefore, high food costs leading to financial stress can cause reduction in productivity at work. Staff members preoccupied with financial worries may find it challenging to focus on their tasks, leading to decreased efficiency and performance (Jensen, & Miller, 2011). As noted by Darmon, & Drewnowski, (2015) staff facing financial difficulties may experience higher levels of stress and anxiety, affecting their mental health and relationships. This situation can lead to increased social tensions and a decline in community cohesion. This decline in productivity can affect the university's overall output and quality of service.

## **Fuel Subsidy and Utility Expenditure**

The utility bills include electricity, water, and telecommunications among others. The rising cost of these bills places a substantial financial burden on employees of Akwa Ibom State University (AKSU). However, the escalating costs of these services in Akwa Ibom State have become a significant concern for AKSU staff. The high cost of electricity due to government policies, in particular, has been a major issue. With frequent power outages and unreliable supply, many staff members are forced to rely on alternative power sources like generators, which further inflate their utility expenses. The high cost of fuel in running generators adds an additional financial strain. Conversely, the inconsistent water supply forces many staff to purchase water from private suppliers, which is often more expensive. Additionally, the cost of telecommunications, including internet and mobile phone services, has risen steadily as the result of fuel subsidy removal. As academic tasks increasingly rely on digital platforms, the need for reliable and fast internet is indispensable, further pushing up the expenditure on utilities.

## **Impacts of Fuel Subsidy Removal on Household Expenditure Patterns**

The removal of fuel subsidy has been a contentious issue in Nigeria, with significant implications for household spending (Francis & Lucas, 2023). Fuel subsidies have historically been implemented to mitigate the impact of high petroleum product prices on the general public. However, removing these subsidies has sparked debates regarding their effects on household spending patterns. Furthermore, the public discourse surrounding the removal of fuel subsidies has highlighted concerns about the potential inflationary effects and the overall affordability of essential goods and services (Ikena & Oluka, 2023). The withdrawal of fuel subsidies can also have a cascading effect on other sectors of the economy. For example, a study by Anyanruoh highlighted that subsidy removal could increase fuel prices, leading to higher transportation and production costs for other sectors (Inegbedion et al., 2020). These increased costs are often passed on to consumers through higher prices for goods and services, reducing households' purchasing power and impacting their overall spending capacity. Furthermore, the management and implementation of subsidy policies can be plagued by corruption and inefficiencies, leading to the misallocation of resources and the enrichment of a few individuals at the expense of the general public (Ray, 2023).

Fuel subsidy reform means high fuel prices. Thus, the fuel subsidy reform is often associated with the rising cost of living with regard to the impact on welfare. This means that households would be forced to contend with high prices when there is a pass-through of high international oil prices to the domestic market. Previous studies claimed that the impact of high oil price on the households came through the direct impact on direct oil consumption for running private vehicles, cooking, heating and lighting; and indirect impact on high consumer prices of other goods and services with the incorporation of the higher cost of oil inputs (Arze del Granado *et al.*, 2010; Coady *et al.*, 2015; Anand *et al.*, 2013; Umar and Umar, 2013; Razak et al., 2014; Hakim, Ismail, & Razak, 2014; Rentschler et al., 2017; Feng et al., 2018). When income rise cannot match the rise in the cost of living, household purchasing powers would get affected. Sometimes, real income (which is the income adjusted for inflation) was used to measure the purchasing powers of households.

A more detailed estimation of the fluctuating real incomes of all household groups in Nigeria was in Siddig et al. (2015) where the single private households from the GTAP database were split into 12 household groups based on the locations in the North, South, East and West, as well as rural versus urban areas. Without any policy intervention, they found that

poor (rural) households tended to be badly affected by the high prices of the energy intensive goods and services, whereas the non-poor (urban) households tended to be affected to a greater extent by the direct purchase of petroleum products. They came straight to the point that the rural households with substantial low saving rates than the urban were commonly grouped as poor with highest poverty head counts. This distributive shift of the 2012 fuel subsidy reform attempted in Nigeria was then expanded (Rentschler, 2016), through the evaluation of the regional variability of direct welfare effects, based on the statistical simulation model developed by Araar and Verme (2012). The welfare impact of subsidy removal on petrol, kerosene and electricity was determined by using the expenditure on aggregate consumption as a proxy for household incomes. He declared that this was reasonable for short- and medium-term analyses as households could only reduce their formerly subsidized consumption of goods or substitute it for any other alternative. The overall consumption expenditure (countrywide welfare effect) fell and domestic poverty rose by 3 to 4 percent averagely. It is interesting to note that the findings at the regional level turned out to be unexpected.

The post-reform poverty rate was viewed with the largest increases in some urbanized states that were most populous, covering Oyo, Anambra and Lagos. These were developed states of high political importance among the 37 Federal states in the study, with lower rates of poverty. Both Dartanto (2012) and Coxhead and Grainger (2018) estimated the welfare change in relation to the price of domestic commodities and factor incomes. Dartanto (2012) discovered 25, 50, 75 and 100 percent removal of oil subsidy led to 0.259, 0.392, 0.670 and 1.057 percent increases of poverty, respectively, although the richest that accounted for only 30 percent of the population benefited 75 percent of the fuel subsidies. The study argued that the substantial reduction in the purchasing power of the poor came from the rise in the price of fuel and other products using oil inputs in production. At the disaggregate level, households that worked in the electricity, water, gas and construction sectors were hit the most, followed by the households that worked in the industrial sector that were basically low-income groups. Indeed, households that worked in the agricultural sector were found to have an increased rate of poverty in terms of absolute numbers.

A comparable pattern of findings was also verified in the SAM multiplier analysis of Widodo et al. (2012) that urban and rural households in the nonagricultural sectors such as technicians, professionals, managers and military experienced the greatest impact since they owned cars that consumed a relatively high amount of subsidized fuel. In the case of Vietnam, Coxhead and Grainger (2018) found that the wealthier households seemed to have a substantial impact on their living costs under the low fuel subsidy rate, while the poor tended to have heavy income impacts especially when the rising energy costs reduced profitability and output in the trade sectors. They reasoned that the wealthier households spent proportionally more on services, which are nontraded and whose prices would then rise with energy costs. Besides, the poor who were mostly low- and medium-skilled laborers were found to be worse off from the labor market adjustment.

In contrast to Dartanto's study (2012), the earlier study of Clements et al. (2007) assessed the welfare effect of petroleum price liberalization in relation to real consumption only. They found that the real consumption of households fell in the range of 2.1 and 2.7 percent for a 25 percent rise in petroleum prices due to the direct and indirect effects. Although the poor placed a large portion of consumption on agricultural goods, the price of which was less sensitive to changes in domestic petroleum prices, they were still hit greatly, especially in the short-time period. Overall, poverty increased modestly at a 0.6 percent rate where it was much higher in the urban area than in the rural area. The study also pointed out the connection between the consumer price hike and the reduced earnings from employment. It is interesting

to note that, Hamid and Rashid (2012) and Solaymani et al. (2013) drew particular attention to the poor being hit by the oil price hike at the consumer level. Both studies applied the CGE model on this topic. In Hamid and Rashid (2012), oil subsidy was captured and measured using the indirect tax on aggregate commodities (covering petroleum, coal products and electricity, and gas). Based on three phases of increases in indirect taxes of 10, 20 and 30 percent, the welfare of households decreased due to the consequential income loss from the price hike.

## **Theoretical Framework**

### ***Cost-Push Inflation Theory***

Cost-push inflation is an economic theory that explains rising price levels due to increased production costs it arises when firms face higher expenses and pass these costs onto consumers. The concept was first developed by economists such as John Maynard Keynes in the mid-20th century and later expanded upon by post-Keynesian economists in the 1950s and 1960s (Keynes, 1936; Ackley, 1966). When competitive market forces drive up wages, firms experience higher production costs. If productivity does not increase at the same rate, firms must either absorb the cost (reducing profit margins) or transfer it to consumers in the form of higher prices. Here is the essence of the cost-push view that general price disturbances stem from non-monetary influences that cause a series of changes in the individual prices of key commodities. The alternative of cost-push theory is that cost-push inflation is caused when the monopoly power of big business firms enables them to raise prices. Each time the corporations raise prices, the cost of living goes up. Workers then demand higher wages to make up for the decline in their standard of living and thereby give the corporations an excuse to raise prices again. Again, just as labor unions are prerequisite to wage-push inflation, so the existence of imperfectly competitive markets in the sale of goods and services is a prerequisite to profit push inflation. When such process becomes wide spread it leads to inflation, which is also called administered-price theory of inflation (Javed, Farooq, and Akram, 2010).

## **METHODOLOGY**

### **Research Design**

This study employed a descriptive survey design, which investigates opinions and behaviors of a specific group using tools like questionnaires, interviews, or observations (McKinsey, 2018). The research was conducted at Akwa Ibom State University (AKSU), a multi-campus institution with its main campus in Ikot Akpaden (Mkpat Enin LGA) and another in Obio Akpa (Oruk Anam LGA). Both primary and secondary data were used. Secondary sources included textbooks, journals, magazines, unpublished articles, research reports, and policy manuals. The study population comprised 996 academic and non-academic staff of AKSU (AKSU Personnel Department, 2024). This group was selected as the study focuses on how fuel subsidy removal affects public servants' household expenditure. A sample of 277 staff was drawn using Kothari's (2004) formula. Simple random sampling was employed, ensuring every individual had an equal chance of selection, promoting fair representation. The questionnaires were personally distributed to respondents in their offices during working hours, with assistance from two trained research assistants. Departmental permissions were secured, and respondents were given five working days to complete the forms. A 100% response rate was achieved. Simple linear regression was used to analyze data and test the hypotheses at a 0.05 significance level, assessing the influence of independent variables on the dependent variable.

## DATA PRESENTATION AND ANALYSIS

### 1. Respondents Demographic Analysis

**Table 1: Respondents Demographic Distribution**

| Variables                        | No. of Respondents | % of Respondents |
|----------------------------------|--------------------|------------------|
| <b>Sex</b>                       |                    |                  |
| MALE                             | 145                | 52.35            |
| FEMALE                           | 132                | 47.65            |
| <b>Total</b>                     | <b>277</b>         | <b>100</b>       |
| <b>Marital Status</b>            |                    |                  |
| Single                           | 98                 | 35.38            |
| Married                          | 145                | 52.35            |
| Divorced                         | 13                 | 4.69             |
| Widow/Widowers                   | 21                 | 7.58             |
| <b>Total</b>                     | <b>277</b>         | <b>100</b>       |
| <b>Educational Qualification</b> |                    |                  |
| WAEC/NECO                        | 43                 | 15.52            |
| OND/NCE                          | 27                 | 9.75             |
| HND/BSC                          | 57                 | 20.58            |
| MSC                              | 87                 | 31.41            |
| PHD                              | 63                 | 22.74            |
| <b>Total</b>                     | <b>277</b>         | <b>100</b>       |
| <b>Years of Service</b>          |                    |                  |
| 1-5 years                        | 79                 | 28.52            |
| 6-10 years                       | 104                | 37.54            |
| 11-15 years                      | 58                 | 20.94            |
| 16 years and above               | 36                 | 13.00            |
| <b>Total</b>                     | <b>277</b>         | <b>100</b>       |

Source: Researcher's Computation (2025).

Table 1 shows that 145 respondents representing 52.35% of the sample population were male while 132 respondents representing 47.65% of the population were female. It also shows that 98 respondents representing 35.38% of the sample were single, 145 respondents representing 52.35% of the sample were married, only 13 respondents representing 4.69% of the sample were divorced, as well as only 21 respondents representing 7.58%. in the educational qualification, 43 respondents representing 15.52% of the sample were WAEC/NECO holders; 27 respondents representing 9.75% were OND/NCE certificate holders; 57 respondents representing 20.58% were holders of HND/BSC certificates; 87 respondents representing 31.41% were MSC certificate holders; and only 63 respondents representing 22.74% of the population were PHD holders. Years of Service shows that 79 respondents representing 28.52% of the sample had worked for 1–5 years; 104 respondents representing 37.54% of the sample had also worked for 6–10 years; only 58 respondents

representing 20.94% of the sample were within the service year of 11–15 years; as well as only 36 respondents representing 13.00% had worked for 11–15 years.

### Research Analysis

#### Research Question 1:

To what extent has fuel subsidy removal influence the cost of household consumable goods like food of public servants in Akwa Ibom State University?

**Table 2: Percentage analysis of themes and topics related to fuel subsidy removal influence the cost of consumable goods like food of household expenditure pattern of public servants in Akwa Ibom state University.**

| S/N | ITEM   | VHI (%)    | HI (%)    | MHI (%)   | LI (%)   | VLI (%) | Total     | Mean Score |
|-----|--|------------|-----------|-----------|----------|---------|-----------|------------|
| 1   | alteration of spending habit                 | 160 (57.8) | 75 (27.1) | 25 (9.0)  | 10 (3.6) | 7 (2.5) | 277 (100) | 4.34       |
| 2   | increase in debt accumulation                | 150 (54.2) | 80 (28.9) | 30 (10.8) | 12 (4.3) | 5 (1.8) | 277 (100) | 4.30       |
| 3   | decline in diet quality                      | 145 (52.3) | 78 (28.2) | 30 (10.8) | 15 (5.4) | 9 (3.2) | 277 (100) | 4.22       |
| 4   | reducing savings habit                       | 138 (49.8) | 82 (29.6) | 33 (11.9) | 15 (5.4) | 9 (3.2) | 277 (100) | 4.20       |
| 5   | reduction in provision of learning materials | 140 (50.5) | 85 (30.7) | 32 (11.6) | 12 (4.3) | 8 (2.9) | 277 (100) | 4.24       |
| 6   | increasing household expenditure             | 150 (54.2) | 80 (28.9) | 30 (10.8) | 12 (4.3) | 5 (1.8) | 277 (100) | 4.30       |
| 7   | reduction in investment opportunities        | 145 (52.3) | 78 (28.2) | 30 (10.8) | 15 (5.4) | 9 (3.2) | 277 (100) | 4.22       |

Source: Researcher’s Computation (2025).

The results in table 2 indicate that fuel subsidy removal has significantly affected the affordability of consumable goods like food for public servants in Akwa Ibom State University. The highest-rated impact is the increase in the cost of staple foods (Mean = 4.34), followed closely by the reduction in the quantity of food purchased (Mean = 4.30). Many respondents also reported increased dependence on cheaper food alternatives and a decrease in meal frequency. The findings highlight the financial strain faced by households, necessitating adjustments in their food consumption patterns due to rising costs.

#### Research Question 2:

To what extent has fuel subsidy removal on transportation cost of household expenditure pattern of public servants in Akwa Ibom State University?

**Table 3: Percentage analysis of themes and topics related to fuel subsidy removal influence transportation cost of household expenditure pattern of public servants in Akwa Ibom state University.**

| S/<br>N | ITEM   | VHI<br>(%)    | HI<br>(%)    | MI (%)       | LI<br>(%)   | VLI<br>(%)  | Total        | Mean<br>Score |
|---------|--|---------------|--------------|--------------|-------------|-------------|--------------|---------------|
| 1       | high cost of living                          | 150<br>(54.2) | 80<br>(28.9) | 30<br>(10.8) | 15<br>(5.4) | 2<br>(0.7)  | 277<br>(100) | 4.30          |
| 2       | increasing financial burden<br>of employees' | 140<br>(50.5) | 85<br>(30.7) | 32<br>(11.6) | 15<br>(5.4) | 5<br>(1.8)  | 277<br>(100) | 4.23          |
| 3       | increase in intra-city<br>transport costs    | 160<br>(57.8) | 75<br>(27.1) | 25 (9.0)     | 10<br>(3.6) | 7<br>(2.5)  | 277<br>(100) | 4.34          |
| 4       | reduction of productivity at<br>work         | 135<br>(48.7) | 80<br>(28.9) | 40<br>(14.4) | 12<br>(4.3) | 10<br>(3.6) | 277<br>(100) | 4.15          |
| 5       | growing inflationary<br>pressure             | 145<br>(52.3) | 78<br>(28.2) | 30<br>(10.8) | 18<br>(6.5) | 6<br>(2.2)  | 277<br>(100) | 4.22          |
| 6       | higher health care services                  | 160<br>(57.8) | 75<br>(27.1) | 25 (9.0)     | 10<br>(3.6) | 7<br>(2.5)  | 277<br>(100) | 4.34          |

Source: Researcher's Computation (2025).

The results in table 3 indicate that fuel subsidy removal has had a significant impact on the transportation costs of public servants in Akwa Ibom State University. The mean scores for all items range between 4.15 and 4.34, signifying a high influence level. Notably, the highest-rated impact was the increase in intra-city transport costs (Mean = 4.34), followed closely by a rise in daily transport fares (Mean = 4.30). The responses suggest that most staff members experience substantial financial pressure due to higher transport costs, reducing their disposable income and making it harder to afford personal vehicles. The findings imply that public servants are increasingly reliant on public transport, further emphasizing the economic burden of subsidy removal.

### Testing of Hypothesis

#### Research Hypothesis 1

There is no significant relationship between fuel subsidy removal and cost of consumable goods like food of public servants in Akwa Ibom State University.

**Table 4: Model Summary of Influence of Fuel Subsidy Removal on cost of household consumable goods like food of Public Civil Servant**

| Model | R                 | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1     | .891 <sup>a</sup> | .793     | .792              | 3.60274                    |

a. Predictors: (Constant), Fuel Subsidy Removal

The model summary in Table 4 shows the R-value as 0.891 which according to the decision rule in this study (+/- 0.70 to 1.00) suggests that removal of fuel subsidy have very high influence. The table also showed the coefficient of determination (Adjusted R-Square value) as 0.793. This indicates that overall, 79.2% of the variance in cost of household consumable goods like food of public servants in Akwa Ibom State University is accounted for by the removal of fuel subsidy.

**Table 5: Summary of ANOVA of the relationship between fuel subsidy removal and cost of consumable goods like food of public servant**

| Model      | Sum of Squares | Df  | Mean Square | F        | Sig.              |
|------------|----------------|-----|-------------|----------|-------------------|
| Regression | 10730.287      | 1   | 10730.287   | 1053.709 | .000 <sup>b</sup> |
| Residual   | 2800.421       | 275 | 10.183      |          |                   |
| Total      | 13530.708      | 276 |             |          |                   |

- a. Dependent Variable: cost of consumable goods like food  
 b. Predictors: (Constant), Fuel Subsidy Removal

Table 5 clearly shows that fuel subsidy removal has significantly relationship with cost of consumable goods like food of public servant in Akwa Ibom State University  $F(df 1, 275) = 10730.287, P < 0.05$ . Since the p-value of 0.00 is less than the 0.05 level of significance, the null hypothesis, which was previously stated as having no significant relationship, is hereby rejected. Therefore, the fuel subsidy removal has significant relationship with cost of consumable goods like food of public servants in Akwa Ibom State University.

**Hypothesis two:**

There is no significant relationship between fuel subsidy removal and transport cost of public servants in Akwa Ibom State University.

**Table 6: Model Summary of Influence of Fuel Subsidy removal on Transportation cost of household expenditure pattern of public servants in Akwa Ibom State University**

| Model | R                 | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1     | .939 <sup>a</sup> | .882     | .882              | 2.03695                    |

- a. Predictors: (Constant), Fuel Subsidy Removal

The model summary in Table 10 shows the R-value as 0.939 which according to the decision rule in this study (+/- 0.70 to 1.00) suggests that the influence of fuel subsidy is very high. Table 6 also showed the coefficient of determination (Adjusted R-Square value) as 0.882. This indicates that overall, 88.2% of the variance in transportation cost of household expenditure of public servants in Akwa Ibom State University is accounted for by the removal of predictor variable (fuel subsidy).

**Table 7: Summary of ANOVA of relationship between fuel subsidy removal and Transportation cost of public servants in Akwa Ibom State University.**

| Model      | Sum of Squares | Df  | Mean Square | F        | Sig.              |
|------------|----------------|-----|-------------|----------|-------------------|
| Regression | 8462.860       | 1   | 8462.860    | 2039.659 | .000 <sup>b</sup> |
| Residual   | 1128.570       | 275 | 4.149       |          |                   |
| Total      | 9591.431       | 276 |             |          |                   |

- a. Dependent Variable: Transportation Cost  
 b. Predictors: (Constant), Fuel Subsidy Removal

Table 10 clearly shows that fuel subsidy removal significantly influenced transportation cost of public servant in Akwa Ibom State University  $F(df 1, 275) = 2039.659, P < 0.05$ . Since the p-value of 0.00 is less than the 0.05 level of significance, the null hypothesis, which was

previously stated as having no significant influence, is hereby rejected. Therefore, the null hypothesis of no significance influence was restated.

## **DISCUSSION OF FINDINGS**

The analysis revealed a strong impact of fuel subsidy removal on the cost of consumable goods like food for public servants. This indicates that rising food prices among public servants at Akwa Ibom State University are largely driven by the removal of fuel subsidies. The hypothesis test confirmed that this policy change significantly affects food costs. This aligns with Harun et al. (2018), who found that subsidy removal in Malaysia led to a 32% fuel price increase, raising production costs in sectors like agriculture, food, and transportation. They concluded that these higher production costs directly translated into increased food prices and household expenditures. Similarly, Ekine and Okidim (2013) argued that subsidy removal inflates food prices and the consumer price index (CPI). However, Razak et al. (2019) observed that price hikes in goods were not proportional to the increase in fuel prices, noting that many sectors experienced smaller increases than the fuel price spike. They concluded that subsidy removal exposes all sectors to global oil price volatility. Ogboru and Akinyotu (2024) also found that rising international oil prices justified subsidy removal, which in turn increased transportation costs and food prices. Their study emphasized the significant relationship between subsidy-related challenges and household income sustainability. Regarding transportation costs, the analysis showed a very high influence of fuel subsidy removal on household transportation expenses among AKSU public servants. The hypothesis test confirmed a significant impact.

This finding is supported by Sennuga et al (2024), who examined smallholder farmers in Niger State and found that subsidy removal caused higher fuel prices, fewer transport options, and increased costs of moving produce to markets—resulting in reduced sales and higher prices of agricultural goods. Similarly, Idisi et al. (2024), in Bwari Area Council, Abuja, reported increased transport costs, higher food and healthcare expenses, school fees, and adverse effects on household businesses due to subsidy removal. Abdulyakeen and Mumuni (2024) found similar trends in Gombe State, reporting a 50% rise in inflation and reduced economic welfare post-subsidy removal. Their study also noted higher transport fares and declining commercial activity, concluding that the policy failed to benefit the Nigerian economy. Conversely, Adewale (2024) observed improved petroleum product quality and delivery efficiency post-subsidy removal, though it came with higher fuel and commodity prices. In summary, findings show that fuel subsidy removal significantly increases both food and transportation costs, with broader effects on household expenditure and welfare, especially for salaried workers in institutions like Akwa Ibom State University.

## **Conclusion**

Based on the findings of the research, the researcher concluded that the factors that necessitate fuel subsidy removal have a significant relationship with the possible challenges encountered by households in family sustenance. The study also revealed that that fuel subsidy removal affected the price dynamics. It also revealed that fuel subsidy affected the accessibility of critical services, including cost of consumable goods like food and transportation cost, following subsidy removal and finally, critical services such as healthcare and education were affected due to subsidy removal.

## **Recommendations**

Based on the findings of the study, the researcher wishes to recommend that:

1. The government should replace the blanket fuel subsidy with targeted programs for low-income earners, including public servants, to cushion the economic effects of increased fuel prices.
2. The government and employers of labour should develop efficient and affordable public transportation systems to reduce household dependence on private fuel consumption.
3. Periodically review the salaries of public servants to align with the rising cost of living caused by subsidy removal should be introduced of Public Servants in Akwa Ibom State.

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