

Fuel Subsidy Removal and Palliative Cash Transfer: A Case of Agriculture Students' Perceptions in Lagos State, Nigeria

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Abstract

Recent fuel subsidy removal by the Federal Government of Nigeria, as part of policy reforms, is expected to impact the economy with a wide range of manifestations through its effects on the transport cost and spillover effects of transport cost on agriculture and food value-chain. As a palliative, the Government has borrowed \$800 million from the World Bank for direct cash transfer to 12 million vulnerable households. Students are part of the vulnerable groups and are knowledgeable about the working of the economy. The study examines the perceptions of students studying agriculture in selected tertiary institutions in Lagos State. One hundred twenty undergraduate students of agriculture in various universities within Lagos state were purposively selected for the study. The questionnaire used in eliciting information was structured into three constructs of seven items each. Analysis was done using Descriptive statistics such as frequency, percentages, mean and standard deviation. The results showed that the majority (63%) of the participants were male, between ages 20 and 25 years (90%) and resided in the rural area (51%). The descriptives analysis of the perceptions of agriculture students showed that participants agreed with all the items of the sustainability construct and almost all the items of inclusivity but only three of the materiality constructs.

Key Words: *Fuel subsidy, Cash transfer, Students' perceptions, Lagos, Nigeria.*

Introduction

Fuel subsidies are a form of government intervention to reduce the cost of fuel by providing direct financial support to oil companies and, as such, subsidise the product to consumers. Fuel subsidies began in the 1970s and became institutionalised in 1977, following the promulgation of the Price Control Act, which made it illegal for some products (including petrol) to be sold

above the regulated price (PWC, 2023). While the concept of subsidy itself is noble, its administration in Nigeria has been plagued with severe allegations of corruption and mismanagement. Consequently, various Nigerian Government regimes have attempted to remove or reduce subsidies in the past, but these efforts have often been met with public outcry and protests. This is because an average household in Nigeria depends on subsidised by-products of crude oil such as petrol and kerosene for domestic and commercial use. This dependence is not helped either, as the public electricity supply from the power holding company (PHCN) is epileptic. Almost every home and business are powered by generators through subsidised petrol. Small businesses, such as hotels, barbers, welders, farmers, hairdressers, pepper sellers, and private and Government hospitals, all rely on subsidised fuel. Gasoline, Premium Motor Spirit (PMS) or fuel as it is typically called in Nigeria, is the second most used product after food in Nigeria. Whenever fuel prices go up, other sectors of the economy are affected. This is because transport cost for essential services goes up, creating a multiplier effect on the economy; the ripples are felt even in rural areas. The movement of agricultural products from one place to another depends on the transport sub-sector, causing a rise in the prices of products and services in society, especially in the market. Critical components of basic needs indicators such as food, housing, clothing and health are affected as access to them becomes costly. The issue remains highly contentious, and any subsidy removal decision is met with support and opposition.

It has been opined that Fuel subsidy removal benefits Nigerians as it will stimulate economic development. The huge fund hitherto used to pay for subsidies will become available to the Government to develop the much-needed infrastructure in the country, especially in the health care, education and transport sectors. Conversely, the Removal of subsidies will lead to an increase in transportation costs, prices of food and other related products while household income remains the same for some households (Umeji & Eleanya, 2021). This will result in a fall in the real income of the poor households, increasing the poverty level in the country, thereby worsening the poor standard of living of the people. Overall, fuel subsidy removal effects are enormous and harsh on the economy and the people. As a palliative, the Government has borrowed \$800 million from the World Bank for direct cash transfer to 12 million vulnerable households. Students are part of the vulnerable groups and are knowledgeable about the working of the economy. The currency of fuel subsidy removal and attendant economic hardship

that pervade the climate is the motivation behind this study. This study examined student perceptions of fuel subsidy removal and cash transfer as palliative.

Purpose/Objective of the Study

In a situation of dire economic realities owing to the removal of fuel subsidies, it is pertinent to know the views or opinions of agriculture students on the palliative cash transfer proposed by the Government of the day. Specifically, the study examines Agriculture students' perceptions of palliative cash transfer in response to fuel subsidy removal.

Methodology

One hundred and twenty undergraduates of agriculture programmes were purposively selected from Universities in Lagos states to form the sample for this study. The questionnaire for the study was designed and structured to elicit information on three constructs, namely, Materiality, Inclusivity and Sustainability concerns of the palliative cash transfer. Each construct has seven items. Information on socio-economics was also collected. A close-ended five-point Likert scale (1 = strongly disagreed; 2 = disagreed; 3 = neutral; 4 = agreed; 5 = strongly agreed), which facilitates the participants' understanding, was used to elicit participants' opinions on each item. According to Brace (2004), asking closed-ended questions is the best way to discover beliefs, behaviour, views, and perceptions. Data were analysed using descriptive statistics such as percentages, frequency, means and standard deviation. A mean greater than 2.5 indicates that most participants supported that opinion or view.

Results and Discussion

Socio-Economics Characteristics of Participants

The socio-economics characteristics of participants are summarised in Table 1. The Table shows 76 (63%) out of the 120 agriculture students were male, as against 44 (37%) females. Most of them (90%) were between the ages of 21 to 25 years. More than half (51%) indicated that they reside in the rural area, while only 30% reside in the urban area.

Table 1. Socioeconomic profile of the sample respondents (N = 120).

Variables/Categories	Frequency	%
Gender		
Male	76	63
Female	44	37
Age		

Below 20	5	4
21 - 25	108	90
26 to 30	7	6
Residence		
Rural	61	51
Suburban	29	19
Urban	50	30
University/Institution		
LASUED, Epe	50	41.6
LASUSTECH, Ikorodu	50	41.6
UNIBEN (Affiliated), Akoka	20	16.7
Father's Occupation		
Government Employee	19	16
Self-Employed	10	8
Farmer	27	23
Unemployed	13	11
Others	50	42
Mother's Occupation		
Government Employee	8	7
Self-Employed	66	55
Unemployed	30	25
Others	16	13
Average Family Income (Monthly)		
Below 10,000 - 20,000	49	41.0
20,000 - 30,000	37	31.0
30,000 - 50,000	24	20.0
More than 50,000	10	8.0

Forty-seven per cent of the agriculture students indicated that their fathers engaged in public service (16%), self-employment (8%) and farming (23%) as their occupations or means of livelihood. 11% indicated that their fathers were unemployed. This group of students would be very vulnerable to the adverse economic effects of fuel subsidies.

Perceptions of Agriculture Students on Palliative Cash Transfer in response to Fuel subsidy removal

Table 2 shows agriculture students’ responses or perceptions on palliative cash transfer in response to fuel subsidy removal in Nigeria. As the Table shows, agriculture students agreed with three out of the seven items of the materiality construct. Specifically, they agreed that palliative cash transfer directly impacts individuals’ purchasing power, allowing them to meet immediate needs such as food, healthcare, education, and transportation (M=2.51; SD=±1.33). This is confirmed by their perceptive agreement that cash transfers are particularly significant for vulnerable populations who may lack access to other forms of financial support. (M=3.54; SD=±4.21); and reflected in their agreement with the opinion that it is significant in promoting social justice and equity, ensuring that individuals impacted by fuel subsidy removal have access to essential resources and opportunities (M=2.52; SD=±0.47). However, they could not agree with other items of the materiality construct, as shown by their means below 2.5. For instance, they could not agree with the opinion that Its impact will extend beyond immediate consumption, supporting local businesses and stimulating economic activity within communities (M=1.57; SD=2.47) because the proposed cash amount (₦8,000) is paltry judging by the realities of the economy.

Table 2. Agriculture Students' Perception of Palliative cash Transfer

Construct	Items	N	Mean	SD
Materiality	It directly impacts individuals' purchasing power, allowing them to meet immediate needs such as food, healthcare, education, and transportation.	120	2.51	1.33
	It alleviates socioeconomic burdens and contributes to a sense of stability and security within affected households.	120	2.00	1.22

Its impact extends beyond immediate consumption, supporting local businesses and stimulating community economic activity. 120 1.57 2.41

Cash transfers have material implications for poverty reduction and social welfare. 120 2.12 1.33

Cash transfers are vital in mitigating the potential negative impacts on beneficiaries' overall quality of life. 120 2.43 1.51

Cash transfers are particularly significant for vulnerable populations who may lack access to other forms of financial support. 120 3.54 4.21

It is significant in promoting social justice and equity, ensuring that individuals impacted by fuel subsidy removal have access to essential resources and opportunities. 120 2.52 0.47

Inclusivity

Palliative cash transfer provides financial support to individuals and families from diverse socioeconomic backgrounds who are affected by fuel subsidy removal. 120 1.80 2.33

It reaches marginalised and vulnerable populations who may face heightened financial hardships due to fuel subsidy removal. 120 1.97 3.22

The inclusivity of cash transfers depends on the design and implementation of the program, ensuring that proper mechanisms are in place to identify and reach those most in need. 120 3.88 4.21

The inclusivity of cash transfers should encompass consideration for the diverse needs and circumstances of different population groups, such as women, children, elderly individuals, and people with disabilities, to ensure equitable access to and utilisation of the funds. 120 4.00 1.23

Inclusive cash transfer programmes should prioritise transparency and accountability, ensuring that the beneficiary selection and distribution process is fair, impartial, and discrimination-free. 120 4.00 2.27

The inclusivity of cash transfers is enhanced when there is clear communication and engagement with stakeholders, allowing for 120 4.00 1.44

their active participation, feedback, and input in the program design and implementation.

Cash transfers should extend beyond 120 4.00 1.07
 immediate relief, promoting long-term resilience and empowerment.

Sustainability

Palliative cash transfers can provide short- 120 3.73 2.00
 term relief, but sustainability concerns arise if they are not accompanied by long-term strategies to address the root causes of the hardships caused by fuel subsidy removal.

The sustainability of cash transfer programs 120 2.74 1.67
 depends on the availability of sufficient financial resources and revenue generation.

Sustainable outcomes of cash transfer 120 2.53 1.73
 require complementary measures such as investments in education, healthcare, employment opportunities, and social protection systems.

The sustainability of cash transfer programs 120 3.91 3.24
 can be enhanced through transparent and efficient delivery mechanisms that prioritise inclusivity, accountability, and the

identification of beneficiaries based on genuine needs.

The involvement of local communities, civil society organisations, and relevant stakeholders in the planning, implementation, and monitoring of cash transfer programmes can enhance their sustainability by ensuring local ownership and accountability. 120 3.74 1.33

A comprehensive approach to sustainability involves addressing the structural issues that underpin the need for fuel subsidies, such as promoting renewable energy sources, energy efficiency, and transitioning to a more sustainable and equitable energy system. 120 4.00 2.00

The sustainability of cash transfer programmes requires careful evaluation and monitoring, allowing for adjustments and adaptations based on feedback, changing needs, and emergent challenges. 120 3.92 2.45

On inclusivity of the palliative cash transfer, participants believed that inclusivity of cash transfers depends on the design and implementation of the program, ensuring that proper mechanisms are in place to identify and reach those who are most in need ($M=3.88$; $SD=\pm 4.21$) and that inclusivity of cash transfers should encompass consideration for the diverse needs and circumstances of different population groups, such as women, children, elderly individuals, and

people with disabilities, to ensure equitable access to and utilisation of the funds ($M=4.0$; $SD=\pm 1.23$) and that Inclusive cash transfer programmes should prioritise transparency and accountability, ensuring that the process of beneficiary selection and distribution is fair, impartial, and free from discrimination ($M=4.0$; $SD=\pm 2.27$). This opinion reflects their strong agreement that the inclusivity of cash transfers is enhanced when there is clear communication and engagement with stakeholders, allowing for their active participation, feedback, and input in the program design and implementation ($M=4.0$; $SD=\pm 1.44$). They also strongly agreed that cash transfers should extend beyond immediate relief, promoting long-term resilience and empowerment. On the sustainability of the cash transfer, Participants strongly agreed with all the items of the construct.

Conclusions

The study has revealed some concerns in the participants' perceptions of palliative cash transfer in response to fuel subsidy removal in Nigeria. To address these concerns, it is crucial to integrate palliative cash transfers within a broader framework that promotes long-term sustainability, fosters economic empowerment, supports targeted social protection measures, encourages sustainable consumption practices, and invests in capacity building for self-reliance and resilience.

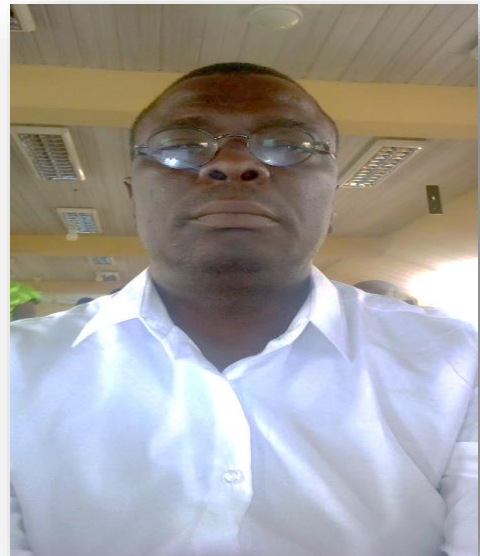
Careful monitoring, evaluation, and adaptive policy adjustments are essential to ensure that palliative cash transfer programmes contribute to sustainable outcomes, inclusive growth, and the overall well-being of individuals and families affected by fuel subsidy removal.

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Dr Olowa Olatomide Waheed is a chief lecturer in the Department of Agricultural Education of the Federal College of Education (Technical) Akoka, Lagos. He obtained a second-class honours upper division in Agricultural Science from the Obafemi Awolowo University, Ile-Ife and a Doctorate and Master's in Agricultural Economics from the University of Ibadan. He won the best African Economics Research Consortium (Nairobi, Kenya) PhD Thesis Research Grant. He was awarded Letters of commendation by the Department and the College Management in 2006 and 2017, respectively, for Diligence and productivity.



Dr Olowa is a member of the Nigerian Association of Agricultural Economists (NAAE), the Farm Management Association of Nigeria (FAMAN), the Agricultural Society of Nigeria (ASN) and the Agricultural Education Teachers Association of Nigeria (AETAN). In pursuit of academic advancement, Dr Olowa has participated in National and international conferences of these professional bodies. He has authored five books and four chapters in Springer Nature, plus over sixty journal articles in reputable international and university-based journals, most accessible on self-archive platforms such as Research-gate and Academia.

Dr Olowa was at various times Head of the Department of Agricultural Education, Director, Degree Programmes and Chairman of several college-based committees. He has served over two decades teaching and supervising degree and NCE students. He is currently the Dean of the School of Vocational Education at the Federal College of Education (Technical) in Akoka, Lagos, Nigeria.

For community service, Dr Olowa is a member of Federal Road Safety Special Marshal, RS 2.17 unit 53 in Lagos and a pastor with Deeperlife Bible Church. Dr Olowa is happily married with children. His hobbies include singing, farming, reading and travelling.