

REMOVAL OF PETROLEUM SUBSIDY REGIME ON AGRICULTURAL
PRODUCTIVITY IN BWARI AREA COUNCIL, ABUJA, NIGERIA, 1999 – 2015.

BY

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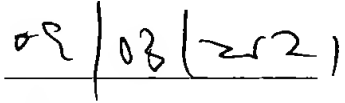
DECLARATION

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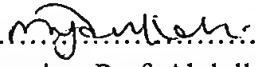
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CERTIFICATION


The Dissertation "Removal of Petroleum Subsidy Regime and Agricultural Productivity in Bwari Area Council, Abuja, Nigeria, 1999 – 2015", by Ariwa Ewusike Douglas has met the regulations governing the award of Masters of Science Degree in Political Science (Public Policy Analysis), of the School of postgraduate Studies, Faculty of social Science, Nasarawa State University, keffi, and is approved for its contribution to knowledge .


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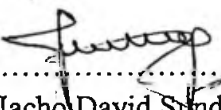
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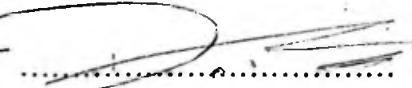
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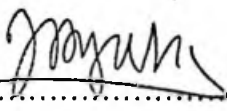
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DEDICATION

I appreciate God Almighty for the Knowledge, Wisdom and Strength, to carry out this research work, the One I cannot do without and who is the fountain of wisdom, understanding and excellence.

This research work is also dedicated to Mrs D. Blessing, Divine and Excel for their support and tireless effort to ensure that I excel in every aspect of this research work.

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ABSTRACT

In every economy, government policy interventions are designed to among other objectives; improve the welfare of people bearing in mind the prevailing conditions. With the increase in misery index, it became important for government to put in place policy meant to provide safety nets for the poor. One of such policy is subsidy removal which has now been withdrawn. It is against this backdrop that this research seeks to assess the effect of petroleum Subsidy Removal on Agricultural Productivity in Bwari Area Council of Abuja. The study adopted system theory by David Easton as a theoretical framework to explain the relationship between Removal of Petroleum Subsidy on Agricultural Productivity. Primary and secondary Data were used and collected through well-structured questionnaire distributed among 400 respondents and sampled; the data were analysed using frequency table, simple percentage and chi-square. The finding revealed that the major hike in price of commodities was due to fuel subsidy removal. Equally identified corruption as the major cause of policy failure, consequently, the study discloses that petroleum subsidy removal raised the cost of living, transportation cost and hence recommends that government should shift Subsidy to Transportation Sector by putting in place a subsidized transportation scheme. Also government should protect petroleum subsidy while accelerate the construction of the three proposed refineries and petroleum subsidy should be removed immediately the refineries are built.

TABLE OF CONTENTS

Title page	-	-	-	-	-	-	-	-	-	i
Declaration	-	-	-	-	-	-	-	-	-	ii
Certification	-	-	-	-	-	-	-	-	-	iii
Dedication	-	-	-	-	-	-	-	-	-	iv
Acknowledgements	-	-	-	-	-	-	-	-	-	v
Abstract	-	-	-	-	-	-	-	-	-	vi
Table of Content	-	-	-	-	-	-	-	-	-	viii

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study	-	-	-	-	-	-	-	1
1.2 Statement of the Problem	-	-	-	-	-	-	-	6
1.3 Research Questions	-	-	-	-	-	-	-	8
1.4 Objectives of the Study	-	-	-	-	-	-	-	8
1.5 Significance of the Study	-	-	-	-	-	-	-	8
1.6 Research Hypotheses	-	-	-	-	-	-	-	10
1.7 Scope of the Study	-	-	-	-	-	-	-	10
1.8 Organization of the Study	-	-	-	-	-	-	-	10

CHAPTER TWO

LITERATURE REVIEW

2.0	Conceptual Review	-	-	-	-	-	-	12
2.1	Concept of Subsidy	-	-	-	-	-	-	13
2.2	Concept of Public Policy	-	-	-	-	-	-	14
2.3	Petroleum Subsidy in Nigeria	-	-	-	-	-	-	16
2.4	Reasons for Removal of Petroleum Subsidy	-	-	-	-	-	-	20
2.5	Effects of Fuel Subsidy in Nigeria	-	-	-	-	-	-	22
2.6	Effects of Petroleum Subsidy on Agriculture in Bwari Area Council	-	-	-	-	-	-	27
2.7	Effects of Subsidy Policy in Bwari Area Council	-	-	-	-	-	-	28
2.8	Effects/Implication of Subsidy on the Market Price	-	-	-	-	-	-	29
2.9	Effects/Impacts of Petroleum Subsidy Removal in Nigeria	-	-	-	-	-	-	30
2.10	Fuel Subsidy	-	-	-	-	-	-	31
2.11	Character of Petroleum Subsidy Removal in Nigeria	-	-	-	-	-	-	34
2.12	National Agricultural Productivity	-	-	-	-	-	-	36
2.13	Challenges faced Implementation of Subsidy Removal	-	-	-	-	-	-	39
2.14	Theoretical Framework	-	-	-	-	-	-	41
2.15	Empirical Literature Review	-	-	-	-	-	-	43
2.16	Gaps in Literature	-	-	-	-	-	-	44

CHAPTER THREE

RESEARCH METHODOLOGY

3.1	Research Design	-	-	-	-	-	-	45
3.2	Population for the Study	-	-	-	-	-	-	45

3.2.1 Sample Size and Sampling Techniques -	-	-	-	-	-	-	-	48
3.3 Method of the Date Collection	-	-	-	-	-	-	-	48
3.4 Method of Analysis	-	-	-	-	-	-	-	49

CHAPTER FOUR

DATE PRESENTATION AND ANALYSIS

4.1 Data Presentation /Demographics'	-	-	-	-	-	-	-	51
4.2 Data Analysis and Results	-	-	-	-	-	-	-	53
4.3 Test of Hypotheses	-	-	-	-	-	-	-	63
4.4 Discussion of findings	-	-	-	-	-	-	-	66

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary -	-	-	-	-	-	-	-	-	69
5.2 Conclusion	-	-	-	-	-	-	-	-	71
5.3 Recommendations	-	-	-	-	-	-	-	-	71
References	-	-	-	-	-	-	-	-	73
Appendices	-	-	-	-	-	-	-	-	81

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Nigeria has embarked on several programmes after her independence in 1960. The study is to examine the activities of Public Policy from 1999-2015, but narrowing it down to an economic reform Policy of Petroleum Subsidy Removal in Nigeria. Nigeria practice democracy which allows the freedom of speech and in a democratic Nation government decision is based on the majority view of the people. Government engages in different programmes as power is been bestowed on them by law to carry out their duties and ensure compliance. These programmes are not just made but are created to solve societal problem. Agriculture has been the major source of income for Nigeria before colonization. However, since 1960 the impact of Agriculture to the Economy has degenerated with its contributions to the Gross Domestic Product (GDP). Its share of GDP reduced from 61.5% in 1963/1964 to 14.6% in 1983 (Eastern, 2012). This is basically due to the discovery of oil. Regnolds (2015) proves that the there are four distinct ways in which Agricultural growth can lead to Economic Development. These include:

- i. To increase food availability and job opportunity
- ii. To enhance the size of domestic market for the producing sector
- iii. By enlarging the supply of local saving
- iv. By providing foreign exchange

Agriculture has been abandoned after the discovery of crude oil which provides foreign exchange for Nigeria. In 1933, oil exploration first started but serious effort was not put in place until the emergence of Shell Darcy Petroleum Company started operations in 1935. The oil exploration was in commercial quantities which lasted for twenty years at Oloibiri in 1956. Nevertheless, the price of oil has never been fixed as different governments keep

adjusting the price upward. The increase in oil price is a global trend in the international market. Since the commencement in 2004, the price of oil in Nigeria has continued to be on the increase. Despite the operations of the Organization of Petroleum Exporting Country (OPEC) for its members to increase their output, oil price has still been on the increase as there was the thought that the surging demand for oil has led to the increase in oil price. The subsidy removal on fuel has increased the price of oil in the past, the increase in price occurred mostly by the extent of disruption to oil supply. Now, the subsidy policy has heightened the price of oil and disruption of oil supply. There is concern in the current step rise in the price of oil as a result of the Removal of Petroleum Subsidy which has had an adverse impact on the Nigerian Economy. When oil is expensive, people try to use less of it. This reduces most goods and services the consumer would have bought which will require the use of oil for their production and delivery. If oil prices decrease, consumers demand will be high, producers and retailers will discover that their gains suffer and that they have excess capacity. It will therefore, deter their plans for expansion. Ikelegbe (2014) stated that public policies are government proposed course targeted toward achieving goals. Fredrick (2012) defines public policy as government or division of government itself. The attribute of public policy is that it has to do with the government. It is the product of government process and activities. Public policy covers a large scheme of governmental issues like economy, health, foreign affair, societal welfare, education. Most times the law enforcement agencies such as police, army are been adopted so as to ensure implementation and compliance with policies. Economy policy are been adopted for the purpose of development, such policy includes the Subsidy Removal on Petroleum. The initiation of economic reform policies started as far back as 1960 after independence. The sole aim of these policies is to gain economic independence.

Due to the interest of western country on Nigeria oil, it has been assured that the reform economy policy is been influenced by foreign investors. However, subsidy can be defined as a means which make consumer pay fewer prices below the stipulated market level subsidy include several forms such as tax reduction agent control of price. Alozie (2013) defines Subsidy as making regulation that reduce market price. For the sole aim of the government in power, the fuel Subsidy Removal Policy was created to reduce the effect of the actual market price of oil on the populace at large Eyiuche (2013).

During the military administration the total cost of production of oil was been paid by the federal government in order to alleviate the heavy cost of transportation and production in the poor masses and to make oil product affordable and accessible. The major reason for the oil policy implementation was to reduce the actual cost of oil product dated 1973-1983. This period of the oil policy implementation do not lasted for too long due the change of different government. In 1986 the pump price was increased from 20k to ₦39.5k by Gen. Ibrahim Babangida. During Olusegun Obasanjo regime in 2000, the pump price of fuel was increased from ₦20 - ₦30. However, by observation, the increased of the fuel price became worsening by the advent of democracy in Nigeria. The important of Petroleum Subsidy was short lived as many negative and bureaucratise issues deterred the purpose of it. According to record by the federal government of Nigeria ₦1.4 million has been spent on fuel subsidy which they claim that the money was used to subsidize kerosene was imported into the country. However, the Petroleum Subsidy has raised many fraudulent activities like smuggling of petroleum product out of the adulteration of petrol and also has made the government to loss focus other benefiting infrastructure in the country such as road, agriculture, mining, and fixing of refineries. Nigerians have not benefited from the Petroleum Subsidy scheme and many economists see Petroleum Subsidy as complete wasteful and a means of diverging government treasury into the hands of fewer elites and oil importers (Omoniji, 2014). On

January 1st 2012 during President Jonathan regime, the federal government announced the elimination of Petroleum Subsidy and this raises a lot of dust and many political economists argued and debated on the issues. The major purpose for the elimination of Petroleum Subsidy by the Nigeria government was to ensure sustainable development and creation of wealth in various sectors of the economy (Onanuga, 2012). Despite the intention of the federal government toward the Petroleum Subsidy removal, Nigerians still protested most especially, the youth due to unfulfilled promises and actualized government policies that were made in the past.

However, Petroleum Subsidy Removal which the federal government under the regime of the former President Goodluck Jonathan has canvassed and lobbied for since he was sworn in May 29, 2011 appeared to have finally got to the blast off stage. It was on Monday, December 12, 2011, that the National Economic Council headed by the former Vice President Nnamdi Sambo decided that government should finally remove the subsidy on January 2012. The body consists of the vice president, governors, strategic ministers and central bank of Nigeria (CBN) claimed that subsidy removal had become inevitable to avert the collapse of Nigerian economy. Daily Sun (2012:18). The withdrawal of Petroleum Subsidy by the federal government generated heated debates by Nigerian Labour Congress (NLC) owing to its socio-economic implications on the nation's economy. The prices of goods and services increased, the cost of transportation also increased drastically even commercial motorcycle instantly adjusted their fares as soon as the subsidy removal was announced. Many artisans like welders, aluminum window filters, tailors, who cannot afford power generators are today out of work, many Nigerian youths have taken to riding commercial motorcycle and tricycle while others went into street haw tony just to keep body and soul together. The NLC and government workers went on strike which resulted the country to loose chose to \$617 million daily, translating into about ₦100 billion, this

removal also brought about mass poverty to Nigerians as the prices of goods and services increased while their income still remain constant, and also violent demonstration which distorted peace in the country. Following the pronouncement, motorists who were traveling back to their various destinations after the New Year and Christmas celebrations were hit by sudden hikes on petrol prices. Prices rose dramatically ranging between ₦140 and ₦150 per litre and at between ₦170 to ₦200 on the black market. Omoniji (2012). In the words of Kauffmann (2014) subsidy removal as a programme enjoyed relative success with limited social stress, in other cases the exercise was deemed a failure. Elimination of subsidies on essential commodities like fuel has been known to precipitate social dislocation and in the extreme led to street riots and civil strike. Petroleum Subsidy removal programmes are sensitive to economy structure, level of development of the country, political system and the state of the economy. There is evidence that the more successful countries have taken a phase or gradual approach, have engaged in conscientious research prior to implementation and followed a rigorous approach to policy making. The effective communication and fair level of trust between citizens and government may be the other critical success factors in such an exercise. We examine Nigeria's proposal for subsidy removal against this backdrop. The stakeholders, unions and people made side comments about the removal of fuel subsidy; they say that the policy is unconstitutional because the policy does not favour the poor citizens, and they did not seek the consent of the citizens and their full support before implementing such policy. They also stated their view saying that subsidy removal is not the only means that the government can save money to develop other sectors of the economy. However, the agricultural sector of the economy had suffered a major setback as a result of unstable and uncertain policies such as subsidy removal policies. Todaro (2013) observed that as a result of the Petroleum Subsidy Removal which led to the increase in price of Petroleum will definitely affect the factors of production in agriculture such as farm inputs

He explained that an increase in fuel price will equally result to an increase in the cost of purchasing farm inputs such as seedling, fertilizer, and most farmers in Bwari Area Council are still practicing subsistence farming and the money for purchasing the farm implement are not available and these in turn will lead to low yield of agricultural produce. Transporting of farm produce in Bwari Area Council is another major threat to farmers as they count the cost of transporting their goods to other market, but looking at the increase in transport fare which is as a result of high fuel price, most of the farmers decided to sell off their goods in the environment and some their goods that are perishable get spoilt in time. A farmer that was interviewed explained that lack of storage facilities is as a result of shortage of food produce in Bwari Area Council and the cost of purchasing and maintaining these facilities are expensive and this can be considered as a slap in Bwari Area Council as most of the farmer do not have sufficient fund to purchase these equipment's either as a cooperative or individual. And with the inception of Subsidy Removal of fuel, the cost of these storage facilities definitely will increase and this make the farm produce to get spoilt in time and the availability of a particular produce only during its harvest time.

1.2 Statement of the Problem

The issue of Petroleum crisis has become a common phenomenon in Nigeria. There is hardly any issue that draws more attention across all strata of the Nigerian society than Petroleum subsidy. The problem of Petroleum Subsidy has led to a great debate in the Country. Much as Subsidy is an economic necessity, the discussion over its impact on the masses and desirability in the Country remains unresolved. This question is necessary because the government argues that withdrawing the Subsidy Policy will enable it to have more money at the expense of the citizens, who contend that if there is Subsidy Removal, they stand to benefit nothing from the government. The position of the government for the Removal of Petroleum Subsidy in Nigeria is based on the premise that it will use the money realized to

provide infrastructures. To the other side of the debate it seems this has never been achieved despite several increases in pump price of Petroleum Products between 1999 and 2015. This culminated to the formation of Subsidy Reinvestment Programme (SURE-P) to manage the funds accrued from the subsidy removal (Alwell, 2012).

However, despite the attempts by successive government to bring an end to Petroleum Subsidy in Nigeria through price increases since 1999, there appears to be no empirical evidence to show its beneficial effect on the living standard of Nigerians. The upward adjustments of Petroleum products have resulted in inflation, high cost of living, and inequitable distribution of income in Nigeria. Since 1994 -2012, the various government regimes have changed the Petroleum prices for a total number of 13 times. Most of the increase occurred in the 1999-2015 period when Petroleum products prices were adjusted upwards sometimes twice in one year. One major problem this has caused was the instability of the prices of goods and services in the country. Whenever there is an increase in prices of petroleum products in Nigeria, it affects transportation, cost of goods and other services. The cost of the Petroleum Subsidy continues to expose the citizens to untold hard-ship due to rising cost of fuel as well as transportation which indirectly affect food prices. Harambe(2012). Stated that the prices of fruits such as oranges, pineapples, banana, and apples have risen. Cost of frozen chicken, vegetable oil and other food items sky-rocketed, this survey was done within the first month of Subsidy Removal (Harambe, 2012). There is therefore the need to undertake empirical study of this nature to determine the effects of Petroleum Subsidy removal on Agricultural Productivity in Bwari Area council from 1999 and 2015.

The result of the findings will serve as reference material for further research on public policy analysis, and it will help to provide information on the effect or defect of subsidy on the economy.

The result will help to know the factors responsible for implementation of the subsidy policy of the petroleum sector. Such as political will, stakeholders, specific target group etc.

The findings are going to be good source of developmental policies and programmes to some government institutions such as NUPENG, NNPC.

To the policy makers, the study will enable them to regard their country while trying to make decision in Nigeria as well as other countries. The study will help policy maker to be determinate on the scale of price as the price affect every sector of the economy. With this it is obvious that the work will add value to the political, economic educational, social improvement of Country, hence beneficial to the Nigerian citizen.

The study will discourage traditional energy sources which have repay Fossil fuel in the country. Like burning of bush to get charcoal, using of fire wood.

The subsidy policy in Nigeria oil sector will serve as a means of liberalizing the economy and encouraging competition. This is due to the facts that almost all sector of the economy depends on oil in one area or the other either industrial or factory etc.

It will enhance efficient use of scarce economic resources by subject decision in the sector to the operation of the forces of demand and supply.

The Findings will serve as a source of information on how the subsidy policy has made the Petroleum product available, affordable and adequate. In the sense that decrease in price, definitely increased the demand in supply.

It will help in addressing price scalping and a host of associate difficulty related to the sector such as uniformity of price, adulteration of fuel by some fuel marketer to increase their profit etc.

Finally, it will serve as guide to policy makers, administrators and the general public and help them to make decisions on the challenge of Petroleum Subsidy policy, particularly concerning the effect on Agricultural Productivity.

1.6 Research Hypotheses

The following hypotheses have been framed to guide the study.

Ho: The study proposes that there is no significant relationship between removal of petroleum subsidy and Agricultural products

Hi: There is significant relationship between removal of petroleum subsidy and Agricultural products

1.7 Scope of the Study

This study intends to focus on the relationship between Policy on Removal of Petroleum Subsidy and Agricultural Productivity in Bwari Area Council FCT, Nigeria. Using a Subsidy Removal of the Petroleum Sector, 1999 – 2015. The scope of the study was limited to Bwari Area Council because the people of the area are predominately farmers and the area council is far from the urban Centre for access of transporting their agricultural products.

1.8 Organization of the Study

The work is arranged into five Categories: Chapter one, which is Introduction, is made up of background to the Study, Statement of the Problem, Research, Questions, Objectives of the Study, Research hypotheses, Significance of the Study and Scope of the Study and Organization of the Study. Chapter two is the Literature Review and Theoretical Framework which reviews literature under the following sub-headings: Concept of Subsidy, Concept of Public Policy, Reasons for Removal of Petroleum Subsidy, Role for Fuel Subsidy, Effects of Subsidy Removal on Agriculture, impacts of Petroleum Subsidy Removal on Nigeria Economy, Petroleum Subsidy in Nigeria, challenges of Public Policy implementation in Nigeria, Effect of Petroleum Subsidy in Nigeria, Nature of Petroleum Subsidy in Nigeria

and Theoretical Frame work. Chapter three contains the Research Methodology and issues captured here include. Research Design, Population of the Study, Area of the Study. Sample Size and Sampling Technique, Method of data Collection, and Method of Data Analysis. Chapter four will deal with data presentation and Analysis. while chapter five is the Summary, Conclusion and Recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.0 Conceptual Review

A research of literature has shown that there is no general consensus on the definition of subsidy, since subsidy affects many facets of the Nigeria economy's a concise and acceptable definition of subsidy is elusive as it cannot be captured. Different experts have defined subsidy and its measurement based on their individual perspectives. Nwosu (2015) defines subsidy "as financial support paid by a corporate association to minimize the production cost of goods and services in order to make the prices low. This can be granted in agricultural sector and housing projects. Abba (2014) defines subsidy as money paid to individuals to produce particular products, to help them produce and sell at affordable prices than they would otherwise. The writer stated that subsidy scheme will make the selling price to be less than the factor of production which will make the consumer to afford the price of the commodity beyond the stipulated price. Ezeagba (2014) defines subsidy as a condition when consumers of a certain goods are supported financial by an individual to reduce the purchasing rate of a particular products. Moreover, Ezeagba saw it as money paid to produce particular products by an organization so that the cost of production will not be higher compare to the price of goods and services. Ovaga (2014) states that "subsidy is an apparatus adopt by government to help the populace/consumers to consume a particular goods below the prevalent market prices" It is something that encourages both (consumers and producers) to purchase or manufacture in large quantity of commodities Todaro (2012) view that the subsidy should be apply in the educational domain for the poor masses in the community. He stated that the average income earners should be assisted with enough money that will meet up with high cost of less. The importance of the programme in this regard is to lower the rate of school fees for the poor masses by assistance given to them by

the government. Hornby and Gregory (2013) defines subsidy “as an important tool for economic enhancement and growth for a nation” They said, when an international organization reduces the price of its exports, the greatest achievers’ are the citizen of the nation. For example, in 1970s the United States due to their technology known how in air craft subsidizes their export price below the actual price of the production through the McDonnell Douglas and Boeing Corporation, it is in these regard that researcher proved that foreign export duties are gifts to the America Citizens

In spite of these challenges, there is a definition of subsidy popularly known and accepted by several scholars. The view is that “subsidy is the reduction of fuel price beyond the actual cost of production. Nigerian as major exporters of oil, however, Federal Government usually increases the price of fuel as the price of fuel by the government affect the consumer and manufacturer directly or indirectly. In summary, subsidy means assistance paid to a business in making fuel products accessible to reduce the effect of actual market prices of the commodities on the masses. That is sell fuel products below the cost of importation.

Moreover, since subsidy has not yielded the expected result in Nigeria. Therefore, the literature review of this study will examine the concept of policy, subsidy, reasons for removal of subsidy, role of fuel subsidy, effects of subsidy removal on Agriculture in Bwari Area Council, impacts of subsidy removal on Nigeria Economy, Assessment of fuel subsidy on Nigeria Economy, and challenges /problems of policy implementation in Nigeria.

2.1 Concept of Subsidy

Subsidy can be defined as the financial support given to a firm in order to reduce the price of goods and increasing its purchasing power. Academic Dictionary of Economics (2013). This can be in the form of concealing the impost ion of custom duty on commodities by the government in order to lower the price. However, subsidy can be referred to as the money

pumped into a business either by an individual or government to lower the price of commodity below market price. Moreover, subsidy can take different forms either directly such as reduction of tax, grant and price control. Another form of subsidy that affects price indirectly includes Regulations put in place by government in order to attain a favourable market price. However, there are two types of subsidies which are usually seen in the first world country which is formed in the third world countries. The assistance given by government to a particular firm consumer and manufacturer which surfaces in the exchanging of goods and service. OECD sees subsidy as the action carried out by government that lowers the price of the masses and increases the selling price of the manufacturer.(UNED, 2015) examine subsidy to be a form in which the price of goods that are used is reduced by many individuals are reduced such as fertilizer, fuel, machinery etc. Nevertheless, since government are the main institutor and implementer of subsidies, they should always consider the place and time for its policy implementation in order not to disturb competition and growth of the economy and to evaluate its benefit if the cost of its implementation can be minimal

2.2 Concept of public policy

Davis (2014) sees public policy as terms and condition that set up by an organization for the achievement acquiring of the goals that is been set up. Coventry and Baker (2014) defines policy as principle set up in order to achieve the objectives lay down in an organization within a specific period of time. Jones (2015) simply explains that policy specific control measure toward achieving a goal. Katz and Kahn (2014) stated that organization policies are rules and regulation that are put in place in an organization for the achievement of specific objective goals that affect the hierarchy set up. Obikeze and Obi (2014) defines policy as a measure put in place by an organization to achieve its purpose. Akpan (2013) define policies "as dos and don'ts promulgated by the directives of an organization to monitor the activities of its members". He added that these may be law enacted by law makers or governing bodies

of public organization or directive issued by a heads of officials in a company. Dye (2013) defines public policy as the position of the government towards a particular issued or problems which might be negative on positive. Fredrick (2012) examines public policy as proposed step taken by an individual or government in view of solving a particular problem but surmounting / leading to a disadvantage. Ruffin (2014) sees public policy as mechanism put in place by legislator in order to solve or advert a particular problem. Ruffin further explains that public policy pin point on a particular issued on ground and the proposed action that is put in place toward solving it. In a general note, public policy can be seen as an act of government toward fulfilling its mandate made to the masses such as provision of infrastructure, adherent to law and order, economy viability which affect the living standard of the people. These are outlined programme/ agenda. Selected for a resultant objectives according to these include Aderson (2015) policy input:

- i. Policy Decision
- ii. Policy statement
- iii. Desirable output
- iv. Desirable Outcome

Policy Input: This is referring to decision made on a system by either government, board of directors basically due to the demands of the citizen to satisfy their needs.

Policy Decision: These are directive or choice by government official that authorize public action. For instance the implementation of fuel subsidy removal by the government is a policy decision.

Policy Statement: This refers to imposed declaration made government mandatory what steps to take in order to carry out their functions.

Policy Output: These are feedback gotten from public opinion that determines the action taken by the government.

Policy Outcomes: These refer to the resultant consequence of the implemented policy on the masses or society. for instance, the recent hikes in price of goods and service due to the removal of fuel subsidy by the government.

2.3 Petroleum Subsidy in Nigeria

The issue of petroleum crisis has become a common phenomenon in Nigeria that is richly endowed with large crude oil deposit and a greater exporter of the God-given commodity. It is pathetic to observe that no other OPEC member or even country that does not produce oil, share similar ugly experience with Nigeria (Badmus, 2009). Prior to this situation, there were moments of joy among Nigerians, when the four refineries were working at full capacities. But according to Badmus, the local refineries could not be managed properly and they produced below the installed refining capacities, thereby making it imperative for demand to be met through importation. The import dependency which constituted over 82 per cent of the total supply of petroleum products consumed locally invoked protests from different quarters in the country. The undesirable situation led to the introduction of the controversial issue of subsidy in the downstream oil sector, which nearly tore the country into pieces, and is still threatening the peace and the existing democratic structure in Nigeria. Subsidy in economic sense exists when consumers of a given commodity are assisted by the government to pay less than the prevailing market price of same. In respect of petroleum subsidy, it means that consumers would pay less than the pump price per litre of petroleum product. On the other hand, petroleum subsidy could be described as the difference between the actual market price of petroleum products per litre and what the final consumers are paying for the same products. Today, the difference which is borne by the government is caused by eight 'import induced costs'. These costs, according to Afonne (2011) have been discovered to be

responsible for the high prices of petroleum products in present day Nigeria. The costs include:

- i. The freight which is the cost of transporting petroleum products from North West Europe to West Africa. Trader's margin of 10 dollars per MT is the major component of the freight cost.
 - ii. There exist lithering expenses incurred on the transshipment of imported petroleum products from the "mother" vessel into "daughter" vessel. The rate of 28 dollars per day is charged as mother vessel expenses which are based on the allowable 10 days demurrage. In addition, two naira is the shuttle vessel's chattering rate from Lagos offshore to Lagos and 2.50 naira as the rate from off shore Lagos to Port Harcourt.
 - iii. There is the NPA charge, which is the cargo due charged by the NPA for use of port facilities. This service attracts 10.50 dollars per MT on the pricing template.
 - iv. Included in the import-induced costs is the stock finance, which is the cost of fund for the imported products. This includes the cargo financing based on the international London inter-bank offered rates.
 - v. Here, there is the jetty depot, which is the tariff paid for use of facilities at the jetty by the marketers to move products to the storage depots. The current charge is 80 kobo per litre.
 - vi. There is current charge of 3 naira per litre for depot operations covering storage charges and other services rendered by the depot owners.
 - vii. Landing cost is the cost of imported products delivered into the jetty depots.
 - viii. The last induced cost is the distribution margins which amount to 13.20 naira per litre on the template. The components include: retailers (₦4.60), transporters (₦.75), dealers' margin (₦1.75), Bridging fund ₦.95), and administrative charges (₦0.15)
- Petroleum Products Pricing Regulatory Agency (PPPRA) in Afonne, 2011. All the

eight import induced costs mentioned above constitute the difference, which the federal government describes presently as fuel subsidy. This according to Prof. Tam David-West in Afonne, (2011), is man-made and would have been eliminated if Nigeria was refining her products locally. In other words, the so-called Subsidy of the downstream oil sector will be removed instantly, should the importation of the petroleum products be stopped. Thus, resuscitating and revamping of the country's ailing refineries is the answer to the problem of fuel crisis in Nigeria.

The federal government unequivocally stated that by removing petroleum subsidy, it would be saving about ₦1.3 trillion per annum, which it plans to use to shore up other sectors of the economy, such as infrastructure provisions particularly for effective downstream operations (Nwachukwu, 2011). But the question is can the federal government convince Nigerians that the oil subsidy, if withdrawn will be judiciously utilized for the interest of the masses? The Petroleum Subsidy has been consistently removed during the President Babangida administration, yet Nigerians have no cause to smile. For instance, the table below Depicts the various Petroleum Subsidies removed by the past regimes in Nigeria.

Table 1: Removal of Fuel Subsidies between 1999 and 2015

Year	Regime	Process of Withdrawal	Subsidy Withdrawn
1999	President Olusegun Obasanjo	₦20.00-₦30.00	₦10.00
2000	President Olusegun Obasanjo	₦30.00-₦22.00	Due to Public Outcry
2002	President Olusegun Obasanjo	₦22.00-₦26.00	₦4.00
2003	President Olusegun Obasanjo	₦26.00-₦40.00	₦14.00
2003	President Olusegun Obasanjo	₦40.00-₦34.00	Protest from the Organized Labour
2006	President Obasanjo	₦34.00-₦40.00	₦6.00
2007	President Olusugun	₦40.00-₦75.00	₦35.00
2009	President Yar'Adua	₦75.00-₦65.00	(-₦10.00)
2010	President Jonathan	₦65.00	----
2011	President Jonathan	₦65.00	-----
2012	President Jonathan	₦140-₦97	₦32.00
2015	President MuhammaduBuhari	₦97-₦145	₦48

Source: Adapted from Afonne E. (2011)

From the table above, it is observed that the prices of petroleum products have been on the increase since 1999 due to withdrawal of subsidies, except during 2009 when President

Yar'Adua came to power he reduced the price momentarily. Furthermore, the protest by the organized labour in 2003 had a little impact as the price equally fell from ₦40.00 to ₦34.00 a litre. Since then, prices of fuel continued to rise until the emergence of Yar'Adua's administration, when it price stabilized at ₦65.00 a litre.

In view of the foregoing, it is not out of place to state without mincing words that during these periods of subsidy withdrawals, Nigerians never experienced good times or moments of joy instead their demands eluded them. In other words, the benefit expected from the removal of Petroleum Subsidy was vividly lost. This was followed by rise in the poverty level among Nigerian masses due to increase in unemployment rate, uncontrolled inflation, lack of health facilities and other social vices. Withdrawal of petroleum subsidy translates into automatic increase in the pump price per litre of the commodity. It is in this context that one may be forced to ask, why does federal government of Nigeria plan to increase its pump price of fuel when it is observed to be selling its petroleum product at the price higher than their exporting counterparts? In other words, the pump price per litre of fuel in Nigeria is the highest among the oil exporting nations.

2.4 Reasons for Removal of Petroleum Subsidy

Nigeria has been often experiencing fuel crisis due to the negative activities of the importers and marketer of this fuel, as they refuse to sell the fuel at the stipulated retail price thereby making the government to enforce the subsidies policy. Nevertheless, these are some of the reasons for the removal of fuel subsidies due to a huge level of impunity in the system, these are:

i. To reduce corruption:

The oil section in Nigeria is faced with a great level of corruption and these can be attributed by the claims of payment made which are illusions as fake oil records on

supply and import of fuel are made by top government official to the billions of naira paid toward the subsidy of fuel. However, the subsidy removal policy is one of the best step took by the Jonathan administration to wipe off corruption in the downstream sector of the Nigeria oil subsidy.

ii. To Provide Social Amenities, Health and Education:

Despite the huge deposit of crude oil and sale of oil done on a large scale, yet Nigeria is still ranked un-developed as the global indices (such as mortality, poverty, educated) used for ranking development in a country has not been half felt and reach and government in the past instead of providing basic infrastructure for its citizen have concentrated in the payment of fuel subsidies which only enriched the Elite and have kept the country in abject poverty due to the state of impunity in the oil sector. For instance, 4 trillion naira has been spent on fuel subsidy in the past six years in which the educational sector of the country annual budget in the past six years have not reach ₦500 billion.

iii. To Decrease oil Price

Subsidy which is a non-revenue generating operation has not actually yielded the huge revenue the country needed which is due to the recent hike in global oil prices and misappropriation of the subsidy revenue scheme. However, upon the global oil price increased, the revenue of Nigeria has shaken as most state can no longer pay salary, therefore the elimination of the subsidy scheme will cause the federal government to save its revenue and in return help to regulate and reduce the oil price of the country.

iv. To Encourage Investors and Competitors through Deregulation Policy

Deregulations of the downstream sectors simply imply the regulation and monitoring of the activities of the oil sector. However, the regulation policy ensured that oil price will be regulated and this will make oil marketers to fight for the market share which will attract investors and competitor, as will be moved to sell fuel below the stipulated market price in order to increase their own market

v. Subsidy Removal will Encourage the Construction of Local Refineries

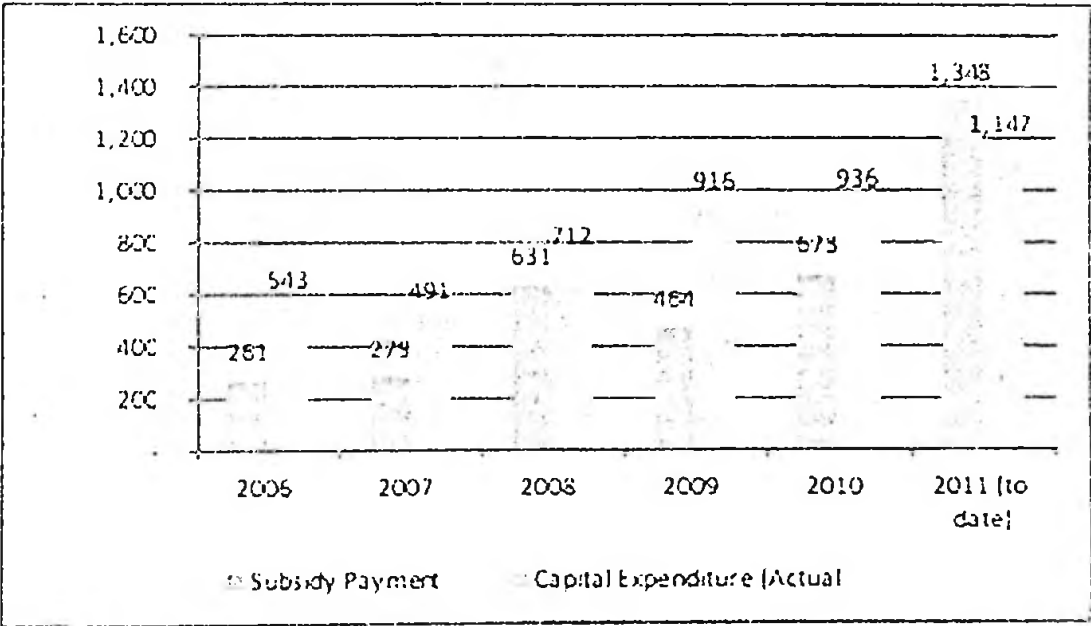
The emancipation of local refineries will make oil to be cheaper and profitable to the Nigeria government as these will make the government to reduce its expenditure in fuel and increase its foreign reserves as most of the money pumped to subsidy is basically for refinery of petroleum into several products. However, the construction of local refinery would reduce the cost of production and make fuel refined locally with time to be more quality than the fuel sends oversea and making government to save much of its funds and increase its foreign exchange reserve which would lead to our rating in the international agencies.

2.5 Effects of Fuel Subsidy in Nigeria

From the time actions were taken to remove the subsidies on fuel by the Goodluck Jonathan-led administration in 2011, there was widespread display of dissatisfaction across the country. Legislators, civil society groups and several other stakeholders displayed their agitation towards the policy. Supporters of the subsidy removal promoted it as the means through which the Economy would be rebuilt while opponents argued that petroleum subsidies never existed in Nigeria and the government made up this “myth” as an excuse to increase the price of fuel (Onyishi, Eme and Emeh, 2012). Nigeria however, is among several other developing and developed countries that Implement subsidy schemes in the energy sector. Below are the major effects of petroleum subsidies in Nigeria:

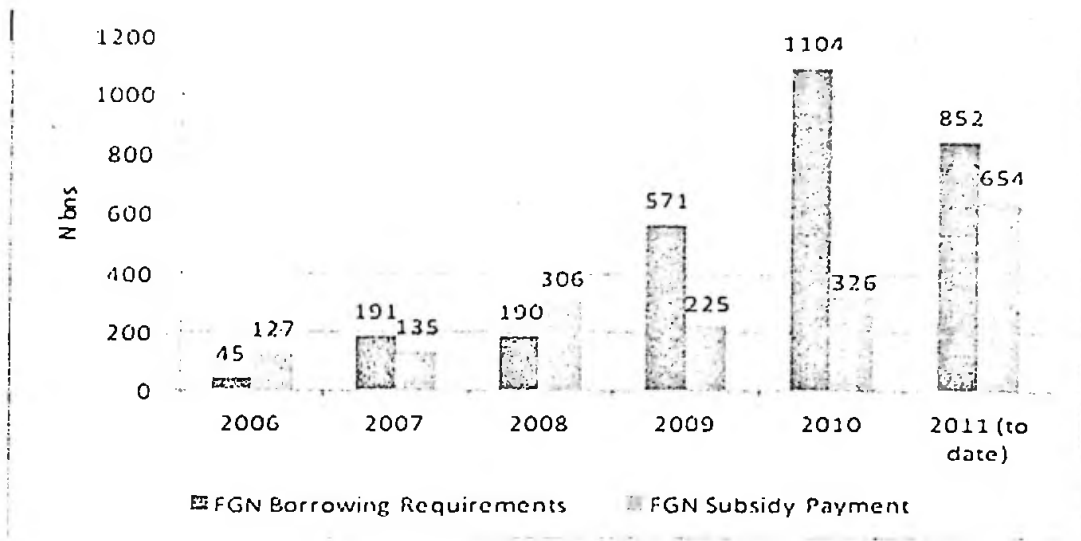
1. **Financial and Fiscal Burden to the Nation:** Study shows that the Federal Government of Nigeria spent about ₦3.7 trillion on petroleum subsidy from 2006 to 2011 and in 2011 alone, ₦1.384 was spent between January and October. This amounted to 30% of total government expenditure, 118% of capital budget and 4.18% of GDP. The government had to secure domestic loans to finance these subsidies. In 2011, the Federal Government borrowed ₦852 billion to finance its deficit (Okonjo-Iweale, 2011).

Figure 1: Subsidy Payment and Capital Expenditure, 2006-2011



Source: Federal Ministry of Finance, 2011.

Figure 2: FGN Borrowing Requirements and Subsidy Payment, 2006-2011



Source: Federal Ministry of Finance, 2011.

The current drop in global oil price has reduced the government subsidy payment despite the reduction in the price of gasoline from ₦97 per litre to ₦87. The executive secretary of the PPPRA explained how the current price was arrived at. According to the PPPRA pricing template, based on the landing cost of ₦74.35 per litre of gasoline as at the close of business on Friday, 16th of January, 2014 and a distribution margin of ₦15.49, the actual pump price would translate to ₦89.84 per litre which implies that the government pays a subsidy of ₦2.84 per litre (Udo, 2015). At a consumption level of 32 million litres daily, the government will spend ₦2.73 billion monthly and ₦32.72 billion annually on subsidy. Despite the drastic drop from ₦.26 trillion in subsidy payment, this is still costly for the government.

Based on the figures above, one can conclude that petroleum subsidy is indeed a burden to the nation as it increases government debt because the government borrows to finance these subsidies, locks-down funds that would otherwise have been channelled towards infrastructural development and reduces the GDP of the nation.

1. **Lack of Investment Incentives:** Since 2000, 20 refinery licenses had already been issued to private individuals/companies in Nigeria yet none of these license holders have built any refineries because with the current market structure, investors would not be able to cover their costs (Okonjo-Iweale, 2011). This is due to the unfavourable market condition that exists in the face of petroleum subsidy. Investors and producers would rather import petroleum products as the government pays these producers according to the quantity imported in-order to keep prices regulated as it is more profitable to them. This sort of subsidy scheme discourages investment in the oil and gas sector of the country.
2. **Promotes Corruption:** It is no news that corruption thrives in Nigeria. This is to blame mainly on self-seeking politicians/stakeholders who come up with policies that would enrich their pockets, implement well-structured policies poorly and change these policies irrationally. The high level of profitability in the oil and gas sector makes it a primary target to these corrupt politicians. The NNPC, which is the state oil corporation through which the federal government of Nigeria controls and partakes in the country's petroleum industry, has been the Centre of a series of fraudulent practices. In 2011, concerns over the NNPC's transparency led to the Nigerian government, through the Federal Ministry of Finance, inviting KPMG to conduct a forensic report. The report detailed the NNPC's sharp business practices, violation of regulations, illegal deduction of funds belonging to the state and failure to account for several billions of Naira intended to go to the federation account. Between 2007 and 2009, over-deducted funds in subsidy claims by the NNPC amounted to ₦28.5 billion. This hasn't been accounted for to date and no prosecutions have been made (Federal Ministry of Finance, 2010). Another publicized incident was the letter from the previous governor of the Central Bank of Nigeria in 2013 to the President of Nigeria.

The letter stated that the NNPC failed to remit over \$49.8 billion proceeds of crude oil sales to the government. Further investigation into the matter revealed that \$20 billion out of the \$49.8 billion was embezzled. No staff of the NNPC or Federal Ministry of Petroleum was prosecuted for the crime. Before the whistle-blowing, cases of embezzlement were covered up with subsidy claims. Other examples of fraudulent practices in the subsidy scheme were revealed during the senate hearing on petroleum subsidy to oil marketers in 2011 where PPPRA attested to making payment to some oil marketers who failed to import the petroleum products. The petroleum subsidy scheme in Nigeria was used as a shield for embezzlement in several cases.

3. **Failure to Reach Intended Target:** The rationale behind the implementation of petroleum subsidy scheme in Nigeria is to ensure that the poor benefit the most from it. Today however, the middle class and the rich are the major benefactors of the petroleum subsidy. Study reveals that motorcycle owners (mainly the poor) consume about 20 litres of gasoline weekly, compared to the 60 litres of gasoline weekly consumed by small car owners (middle-class citizens) and the majority of the population patronize the public transport system like buses, commercial motorcycles and taxis. This majority comprises more of the poor and less of the middle-class (Okonjo-Iweale, 2011). Based on the information obtained from the study, the fuel subsidy benefits small and big car owners (middle-class and rich) more than the poor as they consume more gasoline compared to the insignificant amount consumed by the poor.
4. **Hinders Improvement in Standard of Living:** The amount of money being spent on petroleum subsidy by the government could serve as a driver for improved standard of living if these funds are channeled to other pressing needs. Social and infrastructural development in certain sectors of the economy like health, education, power supply

and roads, that have witnessed stagnation over the years, would improve the standard of living in the country as investment in the aforementioned sectors would result in improved healthcare and access to health, access to quality education at an affordable price, stable power supply and increased vehicle lifespan. There are several other effects of petroleum subsidy implementation to Nigeria but the above effects cover a broad range and could be seen as very significant effects.

2.6 Effects of Petroleum Subsidy Removal on Agriculture in Bwari Area Council

The mutual believed that petroleum shortage worsens Agricultural activity in Bwari Area Council FCT and many Farmers find it hard to manage. Arinze (2015) listed the effects as follow:

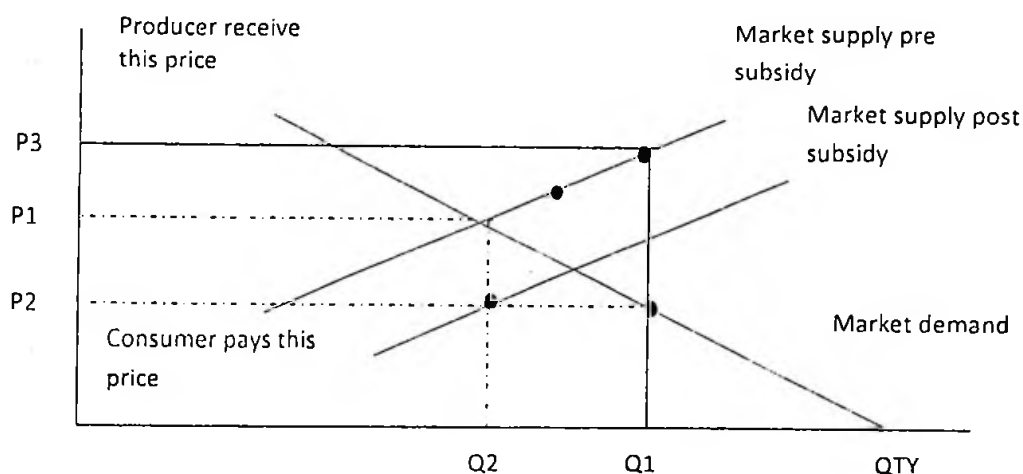
- i. **Transportation:** petroleum shortage rendered agricultural activities; it brings economic activities to state of unrest by increasing the price of transportation and market price. A rise in the price of petroleum will result in increment in price of agricultural produce, cost of production to the firm and transportation cost will also result to the general rise in price of all goods and services in the economy. Simply put, a rise in cost of petroleum products *ceteris paribus* following the economics principle will lead to upswing in prices of goods.
- ii. **Increment in Farm Input:** The increase in fuel price will definitely lead to the rise in price of farm inputs like fertilizer, improved seed and pesticides, making the demand of these farm inputs to be low as most farmers cannot afford to buy these inputs at a higher price. These will result in low yield of farm produce as most of the crops will be infected by pests and diseases.
- iii. **Poor Mechanized System of Farming:** Mechanized system of farming is the use of modern implements /tools to carry out the purpose of farming, such as tractors, harvesters, plough etc. These mechanized tools will experience high cost in

purchasing or hiring them due to the effect of high price of petroleum and also the cost of fueling these modern tools will be expensive as the price per litre of fuel increases, thereby discouraging farmers from the use of these tools which will definitely limit or reduce the yield of farm produce as most farmers will be persuaded to use the old traditional tools for farming as they cannot afford the luxuriousness of mechanized implements.

- iv. **Poor Storage Facilities :** since memorial Nigeria has been facing the problem of poor storage facilities as the cost of purchasing these equipment and maintaining them is very high, in which most of these equipment's required fuel products either in serving them, lubricating or continuous usage these equipment daily as the power holding cannot be entrusted, making the maintenance and usage of storage facilities discouraging, as most farmers will prefer to sell their farm produce immediately at a free price to avoid spoilage, exceptional those farm producing are high perishable will be wasted .storage facilities are not used due to high cost of fuel to maintain them.

2.7 Effects of Subsidy Policy in Bwari Area Council

Subsidy is a financial support paid to farmers either directly or indirectly such as to reduce the price of fertilizer, seed etc in order to increase their production. However, the removal of subsidy in the agricultural sector would lead to low revenue accumulation and a fall in profit. If subsidy is excluded, this would affect producer price of the farmer and in return caused a lower equilibrium point. Move over, if the production cost remain static, this would lead to a fall in total revenue, low profit and with the removal of subsidy the farmer might be discourage to leave the sector, thereby causing a drastic reduction in the supply of farm products, loss of jobs ,recession and a fall in median income



With the subsidy, the consumer pays P_2 while the producer receives $p_2 + \text{subsidy} = p_3$

If farm subsidies are eliminated the market price rises to the original equilibrium level of p_1 and output contracts from Q_2 - Q_1 .

2.8. Implication of Subsidy in the Market

A perfect competition is a market structure where the price of a commodity is determined by the market forces (Mas-Colell, Whinston and Green, 2012). The introduction of production subsidies to firms within this market structure would result in an increase in output, reducing the final price to consumers and creating overall welfare loss due to inefficient allocation of resources (Amegashie, 2013).

An imperfect competition is a market structure where elements of monopoly allow individual producers or consumers to exercise some control over market prices (Mas-Colell, Whinston and Green, 2012). In this market structure, the absence of subsidy would mean the firm (monopoly firm) is unable to produce at a profitable level being that it would charge a price less than its average cost to consumers. Total welfare would be zero as no production or consumption is taking place. The introduction of a production subsidy would encourage the

firm to produce up to a certain amount where the consumer welfare is greater than the cost of subsidy (Safi, 2010).

From the analysis above, we can see that subsidy could affect the welfare negatively or positively depending on the market structure. Therefore, it is important to take into consideration the prevailing market structure before introducing any subsidy scheme to the market.

2.9 Impacts of Fuel Subsidy Removal in Nigeria

Fuel price raise according to Adenike (2014) would have the following impacts:

- i. **Increase in Production Cost:** Due to the immergence of inflation, and devaluing of naira as proposed in 2012 and with the regulation of federal government with the regard to eliminate subsidy these would cause an increased in the product factors of the product and in a case where the producer cannot meet up, it would lead to the folding up of the firm. However, the Federal government would also experience like in price in the achieving of its agenda such as construction of road, borehole etc. due to estimated inflation. Therefore, the removal of subsidy would be such as one that incurs suffering and poverty to the poor masses.
- ii. **High Rate of Transportation:** According to past history in the transportation industry definitely lead to a push in the price of transportation fare. However, the case would be admirable with a sudden removal of fuel subsidy where the price of fuel would be double making motorist to escalate their own fare.
- iii. **Increase in the Living Standard:** The living standard of the populace with regard to paying of house rent, school fees, buying of food items, with the increased as many people would not be able to afford one square meal a day as there will encourage so many wrong social devices such as riot, kidnapping, stealing as many people might be forces to indulge in one negative act or the other in order to survive for livelihood.

- iv. **It lead to Corruption:** Imagine scenario where the income/salary of civil / public servants, artisan are stable / static and the cost of their living is increased, may be forced to do dubious things in order to meet up with the expenditure and result is that corruption would be unexplainable patronized by many people. The removal of subsidy would cause many firms such as petroleum firm to considered importing fuel and sell at bogus PPRA template and make more profit than building of refinery in conclusion, production firm would consider the purchasing of raw material at a cheaper rate with sub-standard quality.

2.10 Fuel Subsidy Removal

On 2nd, January 2012 the petroleum subsidy removal was introduced by the former president Jonathan Goodluck and this resulted to a ₦32 increase in the PMS Price and this causes a lot of conflict and protest by Nigerians. The current government led by President Muhammadu Buhari, increased the fuel price by 59.3% to ₦145. Subsidy is money paid by a government in order to make goods and services affordable to the masses. It can be in form of loan, tax reduction cash payment etc. Petroleum subsidy is initiated by the Government as a financial help to make petrol price cheaper, regular supply and stabilised price. Daily News, reported that government spent about ₦11 trillion on subsidy payment; from 2006 - 2014. Organization of Petroleum Exporting Country (OPEC), stated that Nigeria has four refineries with crude manufacturing of 445,000 barrels/day and the output is about of 396,000 barrels/day, the NNPC supplies 8% of the crude required .in this regard the Nigeria subsidy scheme was established to meet the oil distribution requirement . from September 2015, due to foreign exchange programme, there has been an increase in Foreign currency and this has cause inadequate of credit facilities and causing marketers to impose 90% supply on Nigerian National Petroleum Cooperation which contrary to prior times, leading to the long period of petroleum shortage. In the process of this policy, there are some

benefits and weaknesses of petroleum subsidy removal on the economy of Nigeria have been numerated below.

Benefits of petroleum Subsidy Removal in Nigeria

Ibala (2015) itemized the benefits as follow:

- i. It will provide solution to the fuel crisis by ensuring accessibility and availability of fuel in the country by allowing the marketer to import fuel products.
- ii. To stabilize free market through private sector and reduce hoarding, smuggling and diversion of fuel products.
- iii. The labour market will stabilize ensuring job opportunity through new investments in private refineries.
- iv. The fuel subsidy assure contest in the firm and market forces which will reduce its price of fuel in a period of time as it witnessed in the communication company.
- v. The fuel price will lead to increase in power sector, thereby reduce the overdependence on Discos.
- vi. The policy will motivate government to funds for development like education, health and, Transportation, etc.
- vii. It will encourage the federal government to invest more money to developed infrastructure facilities.
- viii. It will lead to decrease in foreign exception
- ix. It will provide job opportunity to the citizen thereby increase the education and agriculture, (Nwadialo, 2013).
- x. It creates room for market operation.
- xi. It will help to reduce unequal balance of recurrent and capital spending in Nigeria. (Iyobhebehe 2013).

- xii. It creates room for domestic and foreign investment in the oil company.

Demerits of petroleum Subsidy Removal in Nigeria

Ibala (2015), also itemized the demerits as follow:

- i. Increment in standard of Living: the recent increase in fuel has led to increase in price of goods and services in the country which has resulted to inflation.
- ii. Increment in cost of transportation: Transportation cost has increase up to 300 percent since the N145/litres increase. The fuel increment has affected other sectors of the country.
- iii. Increment in the cost of business services: The firms relied on subsidized petrol to perform their duties respectively.
- iv. Increment in production cost: manufacturers and firms that rely on fuel will experience some problem and have to raises the cost of production, in other to meet market demands.
- v. Individual abuse: A monopoly in the free market could lead to customer rip-off; marketers can choose to create fuel product prices at will, just like the telecommunication sector. Hence the Government needs to empower the Regulatory bodies to help control such abuses.
- vi. It will lead to poor educational system.
- vii. It will have a multiplier effect on various aspects of the people's lives thereby making more people to drop from the near non-existent middle class.
- viii. It may lead to low income thereby affect the standard of living of the citizens.
- ix. It will increase the cost of running small business, many of which depend on fuel to power generator.

2.11 Character of Petroleum Subsidy Removal in Nigeria

Today, Nigeria imports fuel to meet its domestic consumption for the product. Yet, it is the largest producer of oil in Africa and 10th among the world oil rich nations. Petroleum subsidy could be defined as the money government pays as the differential between the international price of petroleum products and the local price in Nigeria. In spite of the enormous resources gotten from oil over the years, oil producing areas in particular and Nigerians in general have nothing concrete to show for them. Rather the goose that lays the golden eggs is allowed to die slowly. The removal of petroleum subsidy has been in the front burner of debate in Nigeria. However, it has taken a worrisome dimension since the return to civil rule in 1999 given the frequency with which they are carried out and the constant public outcry over its management. In other clime, where monies removed from subsidy are well expended, those in the lower strata of society still kicked against such exercise. The government announcement of fuel subsidy removal on the 1st of January, 2012 when most Nigerians were still in their towns and villages for Charismas and New Year celebrations took many by surprise because consultations were going on and consensus on some aspects of it have not been concluded. It became an unpleasant New Year present to Nigerians. Yet, it has become a recurrent exercise by a parasitic class whose stuck in trade is to appropriate the nation's wealth for distribution to members of the ruling elite, their relatives, friends and cronies in the precinct and corridors of power. The accumulation of state resources by the ruling elite started rearing its ugly head. The petroleum price was first increased from 5 kobo to 9.5 kobo per liter. Since then, it has become a recurring decimal in the Nigerian polity. Consequently, on October 2nd, 1994. The pump price of fuel increased from ₦3.25k to ₦15. On October 4, 1995 the pump price dropped from ₦15 to ₦11. Again, in 1998, General Abubakar increased fuel price from ₦11 to ₦25 and reduced it to ₦20 on January 6th, 1999. By the time he left office in 2007, Obasanjo's civilian administration took the pump price of fuel from ₦20 in

1999 to ₦75. But President Yar'Adua, felt it wise to reduce the price of fuel per liter to ₦65. On coming to power, President Jonathan increased the price to ₦143 and later ₦97 per liter of fuel after many days of protest, killings and destruction of properties. Present Buhari increased the price to ₦145 There are all indication that we have not seen the last of the of fuel price hike in Nigeria. With these increases in the prices of petroleum products, more money has entered into the coffers of the federal government which is yet to reflect in the life of the people in any concrete way. At the macro social level, the living standard of the people has grown from bad to worst. While liberal democracy and its correlate capitalism have become the only games in town, Nigerians have been at the receiving end. As Olukoshi, (2014) rightly observed, the neo-liberal monetarist thrust of the adjustment model, with its emphasis on a zero-sum market approach is one in which from the onset, carried huge social cost. The social cost of the adjustment regime has continued to create unequal impact on various sectors of the society. As Osaghae (2014) argued, the neo-classical reform measures which include education, subsidy removal from oil and other essential public goods and services, rather than better the life of the people, government after government slipped deeper and deeper into decay and stagnation, unable to improve on the situation bequeathed to them Over the years, the revenue sharing formula for federally collected revenue has been in constant dispute. The bane of dispute is the procedure for redistributing oil revenue. States outside the oil producing areas are pressing for change in the existing revenue sharing formula while those within oil producing areas are not satisfied with 13 percent they are being given after a protracted struggle with the federal government. The ruling elite in the country have been mismanaging the proceeds from oil, a position recently confirmed by Bill Clinton, former US President. Before now, both Ayo Irikife and Pius Okigbo panels of inquiry into the management of oil revenue indicted Generals Obasanjo and Babangida military government of mismanaging ₦2.8 billion and ₦12.2 billion respectively (Okigbo,

2002). As the country battles with the colossal waste of oil monies, another problem has since emerged in the area of crude oil theft. Nigeria lost ₦58.2 billion to crude oil theft (Daily News Watch, 2013). Under such comprador capitalism, the ultimate goal is profit for self and groups. In this scenario, the oil triumvirates' political heads, middlemen and bureaucrats are all at work. As succinctly argued, It is possible to get rich very quickly by being the intermediary in crude oil sales deals, or in illegal product exporting, and the government officers who allow the allocation of crude oil to such intermediaries or their partners would be hard put to account for this practice of crude oil middlemen-ship (Turner & Badru, 2012)

An examination of the above submission suggests that it is this group of men that are behind government removal of subsidy on petroleum products, sabotage attempts to fix the country's refineries and favour fuel importation and price hike so that they, in connivance with the metropolitan bourgeoisie, can engage in primitive accumulation. In all these, the state still remains fragile in its regulatory roles. It appears all these are part of the game plan[↑] to acquire, retain and expand their material base at the expense of the people. Two years after the last removal of fuel subsidy was carried out by government, the people are yet to fully recover from its effects. Yet, all the promised palliatives from the petroleum subsidy removal as contained in the SURE-P document are yet to register their presence in the life of the people in areas of increased standard of living. While arguments by government propagandists are increasing in the most cacophonous voices, we are of the view that going by experiences of previous programs; the so-called putative benefits may never be seen in the peoples' life.

2.12 National Agricultural Production/Productivity

Nigeria has a long list of crops and livestock produced by farmers. The cash crops include cocoa, cotton, rubber and oil palm. Among the food crops are tubers such as cassava, yam, cocoyam, Sweet and Irish potato, grains like maize, sorghum, rice, and millet (cowpea, groundnut, soybean, bambara nuts and pigeon pea). Oil seed crops include sesame seeds and

melon, while vegetables include onion, okra, pepper and tomato. Other crops include wheat, sugar cane, ginger, garlic and garden egg. The agricultural sector is characterized by a dominant crops subsector with its long varietal chain, and a growing livestock and fishery subsectors. These subsectors are in dire need of appropriate interventions to attain market competitiveness in order to contribute to overall national economic growth objectives and poverty alleviation. The forestry subsector used to be very vibrant, but there have been reduced commitment to forest resource development. The crops subsector could be divided into major and minor crops depending on whether they are cash or key staple food crops and minor, if otherwise, they are non-cash or purely food crops.

Table 1 Index of Agricultural Production by Type of Activity (1990 = 100) in 'million

Sub-sector	2003	2004	2005	2006	2007
Crops	159.8	169.9	181.5	195.3	208.4
Staples	175.9	186.9	199.5	215.0	229.5
Other Crops	76.5	82.2	88.6	93.3	98.9
Livestock	225.5	238.0	250.0	265.0	279.7
Fishing	160.5	172.1	182.1	190.7	201.7
Forestry	123.1	125.7	132.6	134.8	138.4
Aggregate	165.4	175.5	186.9	200.1	212.8

Source: CBN Annual Report & Statement of Accounts, 2007

Food and Cash Crops

The food crops, produced largely on small and subsistence scale of production are the tubers (Cassava, yam sweet potato, cocoyam and Irish potato), grains (maize, rice, millet and sorghum) and tree crop (cocoa, oil palm, rubber). Nigeria also produces sugar cane, cotton and several fruits (mango, cashew, orange, etc) and vegetables (tomato, okra, onion and

pepper). The annual total output and cultivated areas for all crops indicate a continuous and increasing output for all the crops up to 2004.

Table 2 Tuber production and areas cultivated (1999-2004)

Crops	Index (000)	1999	2000	2001	2002	2003	2004
cassava	Prod	28,686.10	26,363.10	27,521.02	27,938.05	28,545.87	31,067.45
	Cultivated Area	2415.78	2255.46	2,306.53	2,310.67	2337.308	2,575.92
Yam	Prod	23,021.71	21,900.47	22,342.67	21,707.14	21,742.56	24,976.99
	Cultivated Area	2001.76	1944.95	1,956.29	1,902.12	1906.456	2,085.27
Coco- Yam	Prod	2,626.63	2,692.02	2,646.87	2,632.98	2,622.32	2,655.74
	Cultivated Area	349.69	370.35	353.62	353.05	346.915	367.54

Source: Extracts from NSFR & PCU *Crop Area & Yield Survey, 2006 & 2007 (FMARD)*

However, this was actually attributed to increasing cultivated area and not necessarily due to Increase productivity per cultivated area. Given a fairly increasing cultivated area and a large population of farmers, it depicts that the sector is predominant with small holders. The most popular crops are cassava (Nigeria is world's largest producer), yam and cocoyam. The same trend was seen in grains Cash crops include Oil palm, Cocoa, Rubber, Kolanut, Cotton and Cashew. Their production and output has also been steadily on the increase for all crops since 2002. This could be attributed to increased private sector investment into their business chain.

2.13 Challenges Faced Implementing Subsidy Removal

i. Lack of political Will toward Implementation of Public Policy.

The Political will back up toward the implementing of a policy often determine the level of achievement of the policy. if the mindset of the implementer toward a policy is either positive negative, the resultant effect will be foreseen in the dedication toward the implementation process. For instance, the Nigerian state lack the political will to positively affect or realize a policy goal. Problem is that government will always set up policies/programme that will benefit the masses but the Elite in high ranking government will always fight to frustrate the system toward achieving the policy especially if policy will not favour them. However, the result gotten from the huge sum of billion American dollar pumped by Obasanjo regime into the power with the population of over 140 million people, the result was nothing to talk about.

ii. Insufficient Mechanism Concept and Discipline toward Implementation of Policy

The act of setting up a public policy is not enough, if there is no plan set in place toward achieving these policies. However, this is none of the challenges faced by the Nigeria government as the mechanisms, pathway, routes toward achieving the implemented policy are undermine, as the wrong choice can lead to policy failure. (Orewo 2005.183). The Nigeria state overlook the impact of implementation plan, leaving the policy goal to chance or sometime abandoned as it is been misinterpreted. There are other scenarios where the federal government set up policy without considering those at the local government but only give directive without adequate enlightenment and guide towards the created policy.

iii. Lack of Leadership and Management Programme:

There is a saying that when the purpose of a thing is not understood, misuse is inevitable. Policy instructors are essential bedrock toward the enforcement and

facilitation of implementation. These policy programme enlighten, strengthen, direct and refocus the key player involved in the implementation process. However, the case is not so in the Nigeria set up as individual involved in the implementation only consider the benefit and importance in highly ranked and sensitive position involved the implantation scheme and at such policy goal cannot be positively realized.

iv. Formulation of Wrong Policies

The formulation of wrong policies has degenerated the capacity of the natural and endowed human and material resources in Nigeria. These occur in wrong political decision made by government at the right time and the inability to finance these policies result to the failure of the programme. For instance, the primary Health Care Scheme in Nigeria is a major benefiting programme by the rural people and also the middle earns in Nigeria, but insufficient financing have always been the problem. However, there are different politics that has hampered the success of various implemented policy in Nigeria. Programme like NYSC, UBEC, National Immunization programme has not yielded the required result due to wrong policies.

Problem of Insecurity.

Corruption is the major virus that has eaten the growth that the Nigeria Economy system would have experienced. Corruption also affect the implementation process of the policy where policy will be formulated and funds would be allocated for it but the mis-appropriation if these funds by top government official has most time led to the collapse of the implemented policy. For instance, during Gen. Babangida region where the National Directorate for Employment geared towards promoting acquisition and self-employment for the common Nigerians was formulated and funded but due to insincerity in the public policy system led the off the program as funds were diverted into the pocket of few Elite causing the annulment of the system. Anotertomy of such of policy was the establishment of the

community bank; Cooperative banks and Nigeria Agricultural bank; all of which was formulated towards assisting and financing loan to the small income Earner and empowering small scale enterprises. There was also National Poverty Education Programme created by the Chief Obasanjo regime which was aim at reducing and eradicating poverty. The major problem faced in the formulation of policy in Nigeria still emanated as allocation appropriated by government for this programme are concerned by high ranked politician in the country therefore frustrating the purpose for the implementation of such policy making the poor masses not to benefit from the scheme. However, the state which are been control and monitored by the federal level also suffer loss of funds allocated to them are usually diverted and looted every day due to their dependent on the federal government as therefore leaving the state to not achieving anything.

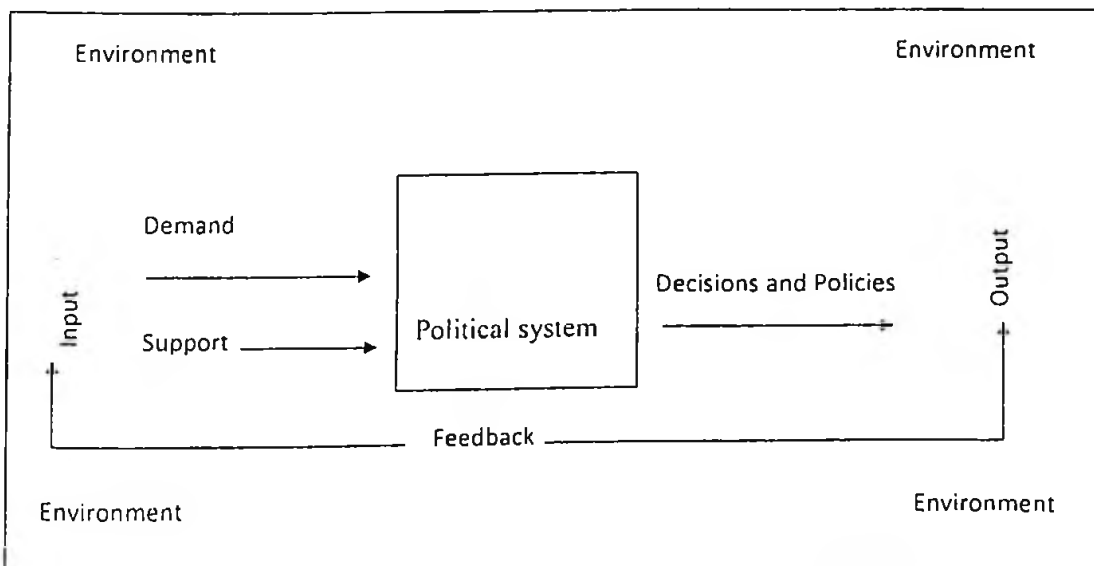
2.14 Theoretical Frame Work.

The system theory was promulgated by David Easton who examines political life as a way of behaviour that shows interactions which enable the distribution of values and norms of community through input and output matrix. Public policy can be viewed from the point that it is the feedback gotten from the demands, suggestions, expectation and thoughts of the people. David Easton further explains that the input matrix refer to the demand and support from the environment. However, demand is been described as the wants, needs of an individual or group of people in the society, in order to satisfy their interest. While supports can be defined as the willingness of the citizens or patriots to admit / receive the choice or action carried by the allocation /resource (output) that comprises of public policy. Output can be seen as the response to the demand upon the system. Moreover, system Analysis comprises of response or feedback to the expectation and aspiration of the people and the decision made constitute the output which continue with relation with more demand made. The significant of system theory explained how public policy can impact the environment

and also the pathway to demand conversion process. However, the system theory has little or nothing to do with how policies are executed and developed in a conversion process. However, Anderson explained some of the limitations attributed to system theory as its only try to pay attention to the system demand of the lowly social group in the society. These assumption cannot be generally accepted as the poor and improvised would not preferred to remain undeveloped and penury.

According to Dahl (2014) any group of element can be attributed to be a system, a market team, a political class, a judiciary. David Easton explained in his write up that while the political class receive the input from the society in the form of demands and support also produce resource/allocation (output). Political system is a system where interactions is been made in the society though available resources released by the leaders which are been implemented in form of decision and policies. The feedback/ outflow into the environment via a pathway mechanism usually give rise to another form of demand. The explanation about workings of the political system can be captured with the diagram figure 1 below:

(1)



Source:www.google.com. A system analysis of political life Easton (2001)

2.15 Empirical Literature Review

The concept of subsidy removal and the effect on the mass has received widespread attention by different writers in most journals, articles, private and government research institute. Many writers have navigated into the issue under discourse. It is also important to note that the issue of subsidy removal is a subjective issue and as such will be treated in its normative sense. Nwafor (2015). Identifies the effects of elimination of subsidies on poverty in Nigeria. The study employed a Computable General Equilibrium Micro-simulation Analysis to assess the impacts of oil subsidy on poverty through the use of social accounting matrix. He posits that Subsidy removal without expenditure of the associated savings would rise to poverty in the nation. (Idris and Sani, 2013) assess the impact of petroleum subsidy removal on small scale enterprises, in Nigeria using Lagos, Enugu and Kano as an analytical focus. The scholar used the chi-square distribution analysis to appraisal the effect. The study found that the elimination fuel had a negative effect on the performance of small scale enterprises in Nigeria at the 5% level of significant. It also discloses that petroleum is a very significant input in the development of small scale enterprises

Further research was undertaken to survey the sources, justifications and complicity of petroleum removal in Nigeria and the possible effect of policy in the economy. Using descriptive Statistics, the study revealed that petrol in Nigeria is an inelastic commodity both from the demand and supply side and moreover, posits that the elimination of fuel subsidies on petrol is expected to have some major impact on the economy and particularly on the poor and vulnerable groups in community. The inelasticity of fuel both from the demand and supply side was further buttress to formulate and estimates fuel products demand functions in Nigeria at both aggregative and product level for the period 1978 to 2007 using multivariate integration method. The study shows fuel products to be price and income inelastic. Moreover, the IMF working research found that the major oil-exporting nations tend to be net

subsidizers of fuel, while oil-importing nations tend to be net taxers. It was therefore concluded that despite the substantial costs of implicit subsidies reform is difficult, as there is strong opposition to their elimination. They advise that subsidy reform should be embedded in an economic reform programme that engenders broad support and yields widespread benefits.

2.16 Gaps in Literature

The Literature review on the removal of petroleum subsidy on agricultural productivity shows the researchers have identified the effect of fuel subsidy removal on the entire economy and populace at large. These effects include; high price of goods and services, increase in standard of living, high transportation, increase in farming inputs/implement Nwafor (2013), Sanni and Idris (2015), Arinze (2015). Ibala (2015) has argued that individual abuse to a free market can lead to customer rip-off as price of fuel product can be sold as will just like the telecommunication sector.

Additionally, the above mentioned have centred their research works on the effect of petrol subsidy removal on the economy and this leaves a gap for researcher to carry out on the motive of the marketer towards fuel subsidy removal as most of these marketers use these avenues as a yardstick to increase the prices of goods and services.

Furthermore, many studies have identified the relationship of petrol subsidy removal on the increase of price of goods and services and this is another gap as no record/studies have shown the effect on fuel subsidy removal on the stability of price on goods and services.

CHAPTER THREE

RESEARCH METHODOLOGY

This section outlines the methodology that was used to generate data for the study. The research methodology for the study was discussed under the following sub-headings:

- i. Research Design
- ii. Population for the Study
- iii. Sample Size and Sampling Technique.
- iv. Method of Data Collection
- v. Method of Data Analysis

3.1 Research Design

The research design that was adopted for this study was the survey research method. As the name implies, survey is a research method which focuses on a representative sample drawn from the entire population of the study.

3.2 Population, Sample, Size and Sampling Technique

The research population of this study was the number of persons residing in the Bwari Area Councils in Abuja.

Categories	Population Size	Percentage
Farmers	221,474	96%
NURTW	7,000	3%
NNPC	800	1%
TOTAL	229,274	100%

Source: National Bureau of Statistics, (2010)

The study adopted simple random sampling technique. Simple random sampling defines a sampling technique where every members of the population has equal and independent chances of being selected in the sample to be studied. The selection of one person or element therefore does not affect the chances of anther elements being included. The merit of this sampling technique includes its wide applicability, its indispensable use by other probability freedom from unwanted error and its simple nature of enhanced understanding. Its demerits include the possibilities of falling into large sample error and also the possibility of missing out the chances of entering specific samples. Yamane (1964) formula was adopted for this research, so as to be able to derive sample size and to ensure effective coverage of the population.

$$n = \frac{N}{1 + Ne^2}$$

Where:

n = Sample size

N = Population size

e = Significant level / error margin

1 = Constant level for the purpose of the study

N = 100

e = 5% = 0.05

$$\frac{229274}{1+229274(0.05)^2}$$

$$\begin{aligned}
 & 229274 \\
 & \hline
 & 1 + 229274(0.0025) \\
 & = 229274 \\
 & \hline
 & 573.187 \\
 & = 399.9 \\
 & n = 400
 \end{aligned}$$

To determine the minimum number of respondents from each of the three categories that was be given questionnaire, below proportional allocation formula was applied.

$$n = \frac{n^1}{N}$$

Where: -

n = the sample size

n¹ = No of respondents in each categories.

N = Population

3.2.1 Sample Size Table

Categories	Population Size	Sample Size
Farmers	221774	386
NUTRW	700	12
NNPC	800	2
TOTAL	229274	400

3.3 Method of Data Collection'

The data for this study was collected through primary and secondary method. The primary method that was employed by this study was the administration of well-structured questionnaire to the respondents who are residing in Bwari Area Council FCT, Abuja, Nigeria. Copies of this close ended and open questionnaire were administered by the researcher to the respondents through face to face contact. In order to obtain more information the researcher conducted structured interview by focusing on key individuals who have direct involvement and knowledge on the subsidy removal of petroleum and Agriculture productivity in Bwari Area Council.

Interview was administered on three selected persons who were not given questionnaires. The choice of these persons is informed by the fact that, they are in the position of providing us with the adequate information on the subject matter under study. The secondary sources of data for this research include information from textbooks, journals, newspapers, and internet materials retrieved, data obtained from the secondary source is critical to this study because most of these documents provide source of evidence to support data from the questionnaire and interview. The secondary sources used were acknowledged accordingly in the references.

3.4 Method of Data Analysis

Since the collected data is purely primary data and also for the sake of simplicity, the statistical method to be used in testing the hypotheses is the Chi-Square analysis

The methods for the analysis of the data have been divided into two parts:

- a. Data presentation.
- b. Content analysis.

The procedure behind the Chi-Square test is that an observed set of values differs significantly from some expected frequencies. It is thus a measure of discrepancy between the observed and expected values:

$$\chi^2 = \frac{\sum (O - E)^2}{E}$$

Where: O = the observed value and

E = the expected value.

This will be the use of two variables Chi-Square which allows a test of the independence of two variables.

- i. General procedures in carrying out the Chi-Square are as follows:
Set up the null and alternative hypotheses.
- ii. Calculate the expected and observed value.
- iii. Calculate Chi-square by minus the observed and expected values into the Chi-square formula.
- iv. Obtained the tabulated Chi-square at the pre-determined level, using the $(r - 1)(c - 1)$ degree of freedom from two variables.

- v. If the calculated value is less than the tabulated, accept H_0 ; otherwise, it will be rejected (H_1). The pre-determined α level is 0.05.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

In this chapter, the data generated through the questionnaire, would be presented and analysed. The data obtained from the questionnaire were administered through proper monitory and persuasion, 363 copies of the questionnaires out of 400 copies sent were duly completed and valid. This will form a puzzle of the research because without it, the study done so far will just be mere mental effort and fruitless exercise. Without the inquiry and hypotheses being tested and either admit or deny as the case may be, then the study is incomplete.

4.1 Data Presentation and Analysis/Demographics

Table 4.1.1 Gender of Respondents

Sex	Frequency	Percentage (%)
Male	211	58%
Female	152	42%
Total	363	100%

Source: Field Survey (April 2018)

From table 4.1.1 above shows the sex respondents, 58% male and 42% female. This indicates that majority of the correspondents are male.

Table 4.2 Age classification of Respondents

Age (Years)	Frequency	Percentages(%)
18-25	87	24%
26-35	149	41%
36-above	127	35%
Total	363	100%

Source: Field Survey (April 2018)

Table 4.2 reveals the age distribution of the respondents in which majority of the respondents were (41%) are within 26-35 years old. 35% are between 36-above years old, while 24% are within the 18-25 years old age range.

Table 4.3 Qualification of the Respondents

Respondents	Frequency	Percentage(%)
Primary School	54	15%
Secondary	138	38%
Territory	171	47%
Total	363%	100%

Source: Field Survey (April 2018)

The table 4.3 reveals the breakdown of education attainment of the respondents. Out of which 15% were primary school leavers, 38% are secondary school holders, while 47% have degree.

Table 4.4 Occupation of the Respondents

Occupation	Frequency	Percentage (%)
Farmers	219	60%
NURTW	98	27%
NNPC	46	13%
Total	363	100%

Source: Field Survey (April 2018)

Table 4.4 reveals the Occupation of the respondents in which the majority of the respondents 60% are farmer, 27% are NURTW and 13% are NNPC.

4.2 Data Analysis and Results.

Table 4.5 Opinion on how Removal of Petroleum Subsidy Affect Standard of Living.

Options	Frequency	Percentage (%)
High prices of Commodities /goods	152	42%
Inflation	55	15%
Increase in transportation	83	23%
Increase in cost of production	73	20%
Total	363	100%

Source: Field Survey (April 2018)

Table 4.5 shows that 42% of the respondents indicated that high prices of commodities was the major effect of the fuel subsidy removal on economic wellbeing, 15% of the respondents opined that it was inflation, while 23% saw increase in transportation as the effect and 20% of the respondents indicated increase in cost of production as the effect. This implies that

more of the respondents are of the opinion that the high prices of commodity are as a result of subsidy removal.

Table 4.6 Opinion on the Support of the Removal of Fuel Subsidy.

Options	Frequency	Percentage(%)
YES	145	39.9%
NO	218	60.1%
Total	363	100%

Source: Field Survey (April 2018)

The table 4.6 above reveals that 39.9% of the respondents are support of the removal of fuel subsidy, while 60.1% respondents didn't support. Respondents were given the option to comment freely on the reasons for their opinions. For the respondents who support the removal of fuel subsidy gave their reasons these include:

- i. To reduce corruption.
- ii. To rebuild refinery.
- iii. for development of capital project.

While, respondents who didn't support the removal of fuel subsidy gave reasons that include the following:

- i. To Escalate the level of poverty.
- ii. It can lead to hardship.
- iii. It will lead to increase in price of goods.
- iv. Lack of transparency.

Table 4.7 Opinion on the Negative Impact of Petroleum Subsidy Removal on the Economic Activity in Bwari Area Council.

Options	Frequency	Percentage%
High cost of purchasing farm tools	73	20%
High cost of transportation	94	26%
Increase in price of commodity	73	20%
Increase in standard of living	83	23%
Increase in crime rate	40	11%
Total	363	100%

Source: Field Survey (April 2018)

The table 4.7 reveals that 20% of the total respondents indicated that high cost of purchasing farm tools are as a result of fuel subsidy removal. 26% of the respondents' opinion that high cost transportation, 20% increase price of commodity. 23% indicated that increase in standard of living and 11% respondents attributed that increase in crime rate. This implies that more of the respondents are of the opinion that high cost of transportation is the effect of fuel subsidy removal.

Table 4.8 View on the Challenges Facing Farmers as a Result of Removal of Fuel Subsidy on Agriculture in Bwari Area Council.

Options	Frequency	Percentage%
Lack of farm tools	65	18%
High cost transportation	73	20%
Pest and Diseases	54	15%
Inadequate of Agrochemicals	47	13%
High cost of fertilizer	80	22%
Poor storage facilities	44	12%
Total	363	100%

Source: Field Survey (April 2018)

The above table 4.8 reveals that 22% of the total correspondents indicated that high cost of fertilizer was the major challenge farmers faced, 20% of the correspondents opined that it was high cost of transportation, 18% of the respondents saw lack of farm tools, while 15% of the respondents said it is pests and disease, but 13% of the respondents opined that it is inadequate of Agro chemical, and 12% of the correspondents opined that it was poor storage facilities .this implies that the more of the correspondents are of the view that high cost of fertilizer was the major challenge farmers faced.

Table 4.9 Views on the Challenges Facing Implementing Subsidy Policy.

Options	Frequency	Percentage%
Corruption	76	21%
Financial constraint	23	6%
Unwillingness among the leader	51	14%
Insincerity of government to improve policy	54	15%
Lack of political will	69	19%
Lack of continuity of many policies	54	15%
Mismanagement of public funds	36	10%
Total	363	100%

Source: Field Survey (April 2018)

Table 4.9 above reveals that 21% of the total correspondents indicated that corruption was the major challenge responsible for implementing subsidy, 6%, of the respondents opined that it was financial constraint, 14% of respondents indicated that it was due to unwilling among the leaders, 15% of the respondents opined it was due insincerity of government to improve policies, 19% of the respondents indicated that it was due lack of political will, similarly, 15% of the respondents opined that it was lack of continuity of many policy, and 10% of the respondents indicated it was due to mismanagement of public funds. this implies that more of the respondents are of the opined that corruption was the major challenge faced implementing subsidy.

Table 4.10 View on the thoughts about the Spending of Federal Government Money on Subsidy.

Options	Frequency	Percentage%
To stabilized the price of fuel	80	22%
To invest on capital and long-term projects	87	24%
Subsidy money not well utilized	73	20%
To build new refineries	123	34%
Total	363	100%

Source: Field Survey (April 2018)

Table 4.10 above reveals that 22% of the total respondents view that government money on subsidy should be channel to stabilised the price of fuel, 24% of the respondents indicated that it should be channel to invest on capital and long term projects, as 20% of the respondents opined that the money is not well spend, while 34% of the respondents opined that the money should be used to build new refineries, The implication is that the majority of the correspondents are of the opined that government money should be channel to rebuild refineries .

Table 4.11 Effect of the Increase in Fuel Price on Agricultural Activity in Bwari Area Council.

Options	Frequency	Percentage%
Lead to inflation	37	10%
Increase in the cost of production	47	13%
Increase in crime rate	76	21%
Increase in standard of living	69	19%
It leads to food scarcity	47	13%
Increase in transportation	87	24%
Total	363	100%

Source: Field Survey (April 2018)

Table 4.11 above reveals that 10% of the respondents indicated that the recent increase in fuel price has led to inflation, 21% of the respondents opined that it has led to crime rate, while 13% of the respondents said it has increased the cost of production, 19% of the respondents opined that it has increase the standard of living, and 13% said, it has led to food scarcity, while 24%, increase in transportation .This implies that the majority of the correspondents are of the opined that the raise in price of fuel has affected the economic growth.

Table 4.12 Views on Effects of Price Increase in Bwari Area Council.

Options	Frequency	Percentage %
Increase in farm implements	66	18%
High cost of commodity	87	24%
Decrease in production of food which led to Scarcity	137	38%
Poor productivity and hunger	73	20%
Total	363	100%

Source: Field Survey (April 2018)

Table 4.12 above reveals that 18% of the respondents indicated that the increase price of fuel has affected farm implements, 24% opined that it has led to high cost of commodity, while 38% of the respondents said that it has led to decrease in food production which has led to scarcity, and 20% opined that it has led to poor productivity and hunger. This mean that high price of fuel has reduce food production.

Table 4.13 Opinion on Whether Subsidy Removed or not.

Options	Frequency	percentage(%)
Yes	36	10 %
No	327	90 %
Total	363	100%

Source: Field Survey (April 2018)

Above table 4.13 reveals that 10% of the total respondents are of the opinion that government should remove subsidy on fertilizer while 90% of the respondents was against the opinion.

Reasons for yes include:

- i. To reduce corruption
- ii. Lack of transparency

Reasons for No include:

- i. It will lead to increase in commodity
- ii. Affordable to the farmers
- iii. lead to scarcity of food

Table 4.14 View on the Real Beneficiaries of Subsidy Policy.

Options	Frequency	Percentage %
Politicians	249	68%
Civil/public servants	24	7%
Masses	48	13%
Don't know	42	12%
Total	363	100%

Source: Field Survey (April 2018)

From table 4.14 above reviews, the result shows that 68% of the total respondents indicated that the real beneficiaries of subsidy policy are the politician, 7% of the respondents opined that it is the civil/public servants, and 13% of the respondents opined that it is the Nigerian masses, while 12% of the respondents indicated that they don't know. The implication of this finding is that majority of the Nigerians believe that the real beneficiaries of the subsidy policy are the politicians

Table 4.15 View on the Stabilization of Fuel Price as a Result of Subsidy Removal.

Options	Frequency	Percentage (%)
Yes	105	29 %
No	258	71 %
Total	363	100%

Source: Field Survey (April 2018)

Above table 4.15 reveals that 29% of the total respondents are of the opinion that subsidy removal have stabilized the price of fuel while 71% of the respondents indicated No. the majority of the respondents are of the opinion that subsidy removal have not stabilized the price of fuel.

Table 4.16 Opinion on the Impact of Fuel Subsidy on Agricultural Activity in Bwari Area Council.

Response	FARMERS	NURTW	NNPC	Total
Yes	200	73	30	303
No	19	25	16	60
Total	219	98	46	363

Source: Field Survey (April 2018)

Above table 4.15 reveals that 303 of the total respondents are farmers, NURTW and NNPC they are of the opinion that removal of fuel subsidy has impact on agricultural products while 60 of the respondent's farmers NURTW and NNPC are of the opined that removal of subsidy has no impact on agriculture.

Table 4.17 View on the benefits Nigerians’ have derived from the Subsidy Removal Policy.

Options	Frequency	percentage(%)
Yes	83	23 %
No	280	77 %
Total	363	100%

Source: Field Survey (April 2018)

Above table 4.17 reveals that 23% of the total respondents indicated Yes .that Nigerians’ have benefited from the subsidy removal policy while 71% of the respondents indicated No. the majority of the respondents are of the opinion that Nigerians’ have not benefited from the subsidy removal policy?

4.3 Test of Hypothesis

The important of research question raised in the questionnaire would be introduced in tabular form and analysed using Chi-square.

Null Hypothesis (H_0): There is no significant relationship between removal of petroleum subsidy and Agricultural products.

Alternative Hypothesis (H_1): There is significant relationship between removal of petroleum subsidy and Agricultural.

The decision rule is that, if the $X^2_{cal} < X^2_{tab}$, accept the H_1 hypothesis and reject if otherwise. The hypothesis is tested with (5%) level of significance using the related degree of freedom.

Table 4.18 View on the Impact of Fuel Subsidy Removal on Agricultural Activity in Bwari Area Council.

Response	FARMERS	NURTW	NNPC	Total
Yes	200	73	30	303
No	19	25	16	60
Total	219	98	46	363

Source: Field Survey (April 2018)

$$\chi^2 = \sum \frac{(O - E)^2}{E}$$

Calculating the expected value:

Table 4.19 Expected Frequencies

RESPONSE	FARMERS	NUTRW	NNPC	TOTAL
YES	$\frac{219 \times 303}{363}$ =182.8	$\frac{98 \times 303}{363} = 81.8$	$\frac{46 \times 303}{363}$ =38.4	303
NO	$\frac{219 \times 60}{363}$ =36.2	$\frac{98 \times 60}{363} = 16.2$	$\frac{46 \times 60}{363}$ =7.6	60
TOTAL	219	98	46	363

Table 4.20

O	E	O - E	(O - E) ²	$\frac{(O - E)^2}{E}$
200	182.8	17.2	295.84	1.6184
73	36.2	36.8	1354.24	37.4099
30	81.8	-51.8	2683.24	32.8024
19	16.2	2.8	7.84	0.4839
25	38.4	-13.4	179.56	4.6760
16	7.6	8.4	70.56	9.2842
$\chi^2 = \sum \frac{(O - E)^2}{E}$				86.2748

Degree of Freedom:

This is done by establishing the degree of freedom (df) by multiplying the number of rows in the table less one, by the number of columns less one. This is given by the formula below:-

$$df = (R - 1) (C - 1)$$

Where:

R= row and C= column

$$df = (2 - 1) (3 - 1)$$

$$df = (1)(2)$$

df=2 degree of freedom

The value of the cut-off point of χ^2 for 2 degree of freedom at the 5% level.

Decision rule:

If $\chi^2_{cal} > \chi^2_{tab}$ we reject H_0 : from the chi-square table is 5.99 which is less than the calculated value (86.2748).

Conclusion:

Since, $\chi^2_{cal} > \chi^2$ we reject the null hypothesis and accept the alternate hypothesis and conclude that there is significant relationship between removal of petroleum subsidy and Agricultural products.

4.4 Discussion of Findings

From the foregoing findings, the study has established that the removal of fuel subsidy has a negative effect on the economic development in Nigeria. This was also proved by the International Monetary Fund (IMF) in the working paper as there is a strong opposition between the major oil exporting country that tend to be the net subsidizers and major oil importing country to be the net taxpayer. Therefore, due to strong opposition factor between the oil importing and supporting country subsidizers reform is difficult.

Furthermore, Table 4.5 reveals that 42% of the respondents are of the opinion that the major hike in price of commodities was due to fuel subsidy removal. The above finding is in agreement with Onwuidu Okitanda (2014) which stated that high price of fuel leads to increase in price of goods and services. Table 4.6 reveals that 40% of the respondents support the removal of fuel subsidy and 60% of the respondents are against the removal of petroleum subsidy. 40% of the respondents that support the removal of petroleum subsidy believes that it will help to reduce corruption, and rebuild refineries. On the contrary, 60% of the respondents believe that the removal of fuel subsidy will daily escalate poverty level, hardship and increase in price of goods and service.

Table 4.7 reveals that 26% of the respondents are of the opinion that the high cost of transportation in Bwari Area Council was due to the removal of fuel subsidy. The finding agreed with Adenike (2014) Stated that when motorists pay more for petroleum, the transport fare increase. Some of the respondents agreed the cost of transportation was unfair both the commercial and private user of vehicles as even the purchasing of fuel in accredited Nigeria filling stations was difficult in a hike in the price of the sales of PMS. On the contrary, some of the respondents believes that the increase in the cost of transportation has nothing to do with the removal of fuel price as normal pump price from government was still stable and that it was due to the influence of black market, fuel tankers association will have their unresolved crises, unsettled that led to the increase in transportation cost.

Table 4.8 reveals that 22% of the respondents are of the opinion that the high cost of purchasing fertilizer was due to the removal of fuel subsidy on the farmer in Bwari Area Council. Some of the farmers interviewed were asked to comment on how the removal of fuel subsidy affect the price of fertilizer and they attributed that subsidy was unpleasant on fertilizer by government, and since most of the fertilizer are not made in Nigeria are ship into the country that the government usually pay custom duties on them and sell to the farmer at subsidized price but as the subsidy as a whole is being removal on fuel that it has also affected the price of fertilizer.

Table 4.9 reveals that 21% of the respondents are of the opined that corruption is the major challenges facing the non-implementation of the subsidy removal policies in Nigeria. one of the interviewee confirmed that there are instances where money are release for subsidization, but due to corruption they are not executed, some are delayed to collect variation sum, and the few one completed /put in action are sometimes substandard. The Corruption Perception Index (CPI) ranking of transparency International confirmed that in 2003 Nigeria CPI ranking was 132th corrupt countries, In 2011 Nigeria CPI ranking was 143th, 2014 ranking was 136th

most corrupt country.in 2017 ranking was 148th. (Based on the data from website of transparency International) In spite of these proved CPI ranking over the years, corruption is still a major challenge in Nigeria which account for plan failures. After interacting with the respondents, they comment that the reason for plan failure in Nigeria is Dictatorship of planning. This is a situation was few people dominate and dictates what development is and what types of development the majority needs. It is a situation where the executive aims of government. Both the federal, state government dominate and dictate the least tiers of government what development is and what types of development they needs. This dictatorship of planning is carry over from the long military rule which the country experienced while Nigeria is a democratic republic planning/policies seems to be dictatorial which explain lack of mass participation /awareness in the planning effect.

Table 4.10 reveals that 34% of the respondents are opinion that the spending of federal government money subsidy was to rebuild new refineries. Interviewer were of the opinion that the rebuilding of the dilapidated oil refineries in Nigeria will help in the stabilization of fuel price and it availability since most of the money government are paying for the fuel subsidy is to enable foreign refineries where crude petroleum from Nigeria are transported to be imported back to Nigeria as the government heavily for refining process and import duties.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

The study examined the Removal of Petroleum Subsidy and Agricultural Productivity in Bwari Area Council Abuja, Nigeria. Existing scholar highlight the relationship between fuel importation and deregulation of downstream oil sector, others stress the effect of fuel subsidy on the entire economy and populace at large. Some identified the relationship of petrol subsidy removal on the increase of price of goods and services. Therefore, the study includes that:

- i. The effect Petroleum Subsidy Removal on Agriculture activity in Bwari Area Council.
- ii. To identify the character of Petroleum Subsidy Removal regime in Nigeria.
- iii. To determine the relationship between National Agricultural index and Bwari Area Council Agriculture. Accordingly, the hypothesis that guided the study was that: there is no significant relationship between removal of petroleum subsidy and Agricultural products.

There is significant relationship between removal of petroleum subsidy and Agricultural products.

The study adopted the simple random sample technique and applied frequency table, sample percentage and chi-square. The data for the study was sourced from official documents, textbooks, journals, Newspapers and internet. In utilizing the sources, the subject of inquiry and the opinions of expert were located from institutional and official documents such as the Federal Ministries of Petroleum Resources, Finance, National Bureau of statistics (NBS).

The study adopted system theory by David Easton as a theoretical framework to explain the relationship between Removal of Petroleum Subsidy and Agricultural Productivity. By

focusing on the willingness and support of the citizens to accept the petroleum subsidy removal policy and how the policy tends to affect the standard of living. Based on the quantitative description and logical induction, data gathered was analyzed and presented in the forms of the tables, figures, chart, and sample percentage.

It was discovered that the economic outcome for elimination of subsidy are undesirable.

Therefore, the Federal Government would need to pay attention for these effects. The growth of real Gross Domestic Products has declined because of the high price of petroleum in Nigeria. Moreover, the hike pump price and different prices across the states of Nigeria has contributed between 4 to 5 percentages points to the individual price inflation in the period 2012 to 2015. Both expenditure and income of persons' have been affected by the incessant increase in fuel prices. The declined in the expenditure charge rate will erode approximately 50% of Nigeria's present midpoint group citizens. in addition, it will suppress the undesirable outcome that higher prices would have had on the economy in no distance.

As people try to adjust and have new savings their expenditure will reduce significantly over the next few years. The demand for goods and services will be affected by purchasing fuel at high price and utilizing less of it. It is obvious that Nigeria a consuming country than a producing country. The little manufacturing firms in the country will found it difficult to remain in business due to high cost of production. The outcome on demand will have huge impact on Gross Domestic Products in no distance. In an Ideal country, the use of power has a little impact on production since energy among other production inputs accounts for a relatively small share of output. In the case of Nigeria, energy cost is the major share of output; organizations provide their own power using generators or other alternative. spending more on fuel impacts coupled with the poor power sector reduces the expenditure on goods and services in Nigeria which in turns raise the prices of almost all good and service.

5.2 Conclusion

Nevertheless, despite the agitation and complain of the Nigerians citizens, the government still forge ahead with the removal of fuel subsidy policy. it would be significance enough, if the usual amount of N1.3 trillion to N1.5 trillion that is pumped into the oil sector to petrol subsidy is used judiciously in other aspect of the economy such as road, health, and education to better the life of its citizens, but if the effect is not better felt by the citizens and economy with the withdrawal of the N1.5 trillion on the oil sector which should have been navigated into other sector, then the subsidy removal policy is seen as a waste and a short term pain that has no future benefits.

5.3 Recommendations

The importance of this study is to proffer solution to the persistent increase in price of petroleum. In view of the finding, the researcher proposes the following recommendations:

- i. The Government should protect petroleum subsidy while accelerate the building of the new refineries.
- ii The fuel subsidy should be eliminated after the refineries are built
- iii. The refurbishing of already existing refineries should commence immediately.
- iv. The Government should embrace other forms of transportation such as railway to reduce the demand on the use fuel.
- v. Oil refineries should be built by private firms before the removal of subsidy.
- vi. The price of petrol should be regulated by government in order to encourage competitiveness in the market.
- vii. Vii Unauthorized licensed petroleum dealers should be scraped and prevented from the sale of petrol product in order to stop extortion and fire outbreak by the government.

- viii. The government should financially support the transport, housing, education sector to better the standard of living of the citizens.
- ix. Commission like Economic and Financial Crime Commission (EFCC) Independent Corrupt Practice and Commission (ICPC). Endorsed with the power to monitor and bring to law corrupt government official that indulges in the embezzlement of subsidy money should face the penalty.

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5th April, 2018.

Questionnaire for Public Policy on Removal of Petroleum Subsidy and Agricultural Productivity in
Bwari Area Council Abuja, Nigeria.

Dear Respondent,

I am a Post graduate student of the above University conducting a research on Policy Removal of
Petroleum Subsidy and Agricultural Productivity in Bwari Area Council Abuja Nigeria. This
research is purely for academic purpose and your response will be treated with utmost secrecy and
confidentiality.

Please kindly respond to the following questions.

Thanks in anticipation of your positive response.

Yours Sincerely,

Ariwa, Douglas Ewusike

NSU/SS/MSc/PPA/026/15/16

INSTRUCTIONS

Please tick (✓) the appropriate answers to the questions that have options in the box provided below.

SECTION A

1. Sex (a) Male ☐ (b) Female ☐
2. Age (a) 18-25 ☐ (b) 26-35 ☐ (c) 35 and above ☐
3. Educational Qualification (a) Primary ☐ (b) Secondary ☐
(c) Tertiary ☐
4. Occupation (a) Farmer ☐ (b) NURTW ☐ NNPC ☐

SECTION B

1. How does removal of fuel subsidy affect economic wellbeing? -----

2. Do you support the removal of fuel subsidy? Yes ☐ No ☐
If yes, what are your reasons? -----
If No, what are your reasons? -----
3. In your opinion, did you think that Removal of subsidy have negative impact on economic activity in Bwari Area Council? Please comment -----

4. What are the challenges facing farmers as a result of removal of subsidy on Agriculture in Bwari Area Council? -----

5. What are the challenges facing non-implementation of policy in Nigeria?

-----How
does removal of subsidy affect agricultural activity in Bwari Area Council? -----

6. What are your thought about the spending of federal government money on subsidy?

-----How does the
recent increase in fuel price affect agricultural activity in Bwari Area Council? -----

7. In your assessment, how does increase in price of fuel affect food security? Please
comment. -----

8. Do you think the government should remove subsidy on fertilizer? Yes ☐ No ☐

If yes, state your reasons? -----

If No, state your reasons? -----

9. In your assessment, who do you think are the real beneficiaries of the removal of
subsidy policy?

10. In your assessment, do you think that Nigerians' have benefited from the subsidy
removal policy? Yes ☐ No ☐

- 13 Do you think that subsidy removal has stabilized the price of fuel? Yes ☐ No ☐

APPENDIX II

Date of the interview -----

Interview schedule for Nigeria Farmer Association, NURTW and NNPC Bwari Area Council FCT.

My name is Ariwa Douglas Ewusike a research (MSc) students undertaking a research on public policy on removal of petroleum subsidy and Agricultural Productivity in Bwari Area Council, Abuja, Nigeria, (1999 – 2015).

1. Is there a relationship between subsidy removal and agricultural products in Bwari Area Council?
2. To what extent has subsidy removal affected agricultural activity in Bwari Area Council?
3. What are the challenges facing agriculture as a result of subsidy removal in Bwari Area Council?
4. What are the measure in place to ensure success of the subsidy policy in Bwari Area Council?
5. Who are the beneficiaries of removal of subsidy on petroleum products in in Bwari Area Council?
6. What are the challenges being experienced in implementing subsidy?
7. Thank you very much once again Sir/ma, for making out time to attend to the questions