

# Fuel Subsidy Removal:

Nigeria

## CENTRE FOR PUBLIC POLICY ALTERNATIVES

### Impact of Fuel Subsidy Removal:

A Public Opinion Poll

The on-going debate on the removal of fuel subsidy by the Federal Government has called for immediate action by business member organizations to adequately determine the pulse among members, especially as it may affect their business activities.

This study examines the level of NACCIMA members' (including the general public's) understanding of the fuel subsidy issue, their support for the removal of petrol subsidy and their understanding of government implementation plans in an attempt to assess the impact of the removal of fuel subsidy on individuals, business activities and the economy in general. A public opinion poll of respondents randomly selected is employed in the study. We find that 86 per cent of respondents have an understanding of the issue surrounding fuel subsidy but 94 per cent of respondents maintain that the Federal Government has insufficiently communicated the reasons behind the removal of the fuel subsidy. Again, 84 per cent of surveyed respondents do not support the removal of fuel subsidy while 90 per cent believe the removal would have an impact on economic activities in the country.

## NACCIMA

National Association of Chambers of Commerce,  
Industry, Mines and Agriculture

18 November 2011

Commissioned by ENABLE

#### Participant Opinion on Fuel Subsidy Policy:

In Support of Removal..... 16 %  
Against ..... 84 %

#### Impact on Business Owners:

In Support of Removal..... 18.2 %  
Against ..... 81.8 %  
Positive Effect..... 33.3 %  
Negative Effect..... 33.3 %  
No Effect..... 33.3 %  
%age of total respondents..... 22 %

#### Impact on Professionals:

In Support of Removal..... 20 %  
Against ..... 80 %  
Positive Effect..... 16.7 %  
Negative Effect..... 50.0 %  
No Effect..... 33.3 %  
%age of total respondents..... 32.0 %

## Table of Contents

Executive Summary.....	3
Quantitative Findings.....	3
Qualitative Findings .....	4
Objectives .....	4
Scope of the Survey .....	4
Ethical Standards.....	5
Fact-Sheet on Fuel Subsidy Removal .....	6
Methodology.....	12
Definition of the Population and Survey Sample.....	12
Data Collection.....	12
Sampling Techniques .....	12
Data Quality: Exclusions from the Sample/Limitations .....	13
Data Analysis Discussions .....	14
Quantitative Findings.....	14
Fuel Subsidy: .....	14
Other Issues: .....	14
Qualitative Findings .....	15
Fuel Subsidy: .....	15
Other Issues: .....	15

## Executive Summary

ENABLE, a DFID-led program managed by Adam Smith International has commissioned the Centre for Public Policy Alternatives to conduct this survey on behalf of the National Association of Chambers of Commerce, Industry, Mines and Agriculture (NACCIMA). The survey was to center on pertinent national issues with a primary focus on the current debate on the proposed removal of fuel subsidy by the Federal Government of Nigeria. The recommended sample size was 50 and was drawn from the corporate membership of NACCIMA and the general public in Nigeria.

A thirty-question, three-page questionnaire was administered to the target population. (16 of the questions in the survey were dedicated to the fuel subsidy issue. The enquiry was conducted by telephone, emails and one-on-one interviews with some of the respondents. The other questions revolved around the subsidy on fertilizers, certain policies of the Central Bank of Nigeria, National security and the remuneration of civil servants. The polling was conducted over a period of three days from Tuesday the 15<sup>th</sup> of November 2011 to Thursday the 17<sup>th</sup> of November 2011.

The recommended sample size of 50 was considered smaller than the statistically derived number that would have been more reflective of the opinion and size of the business community and adult population in Nigeria. In spite of the stated constraints, efforts were still made to maintain randomization and to ensure there was a national spread amongst the targeted respondents.

The key challenges/limitations were the sample size as previously noted and the time frame of the exercise. The most effective mode of enquiry was the field survey which account for 80% of the responses and which facilitated the completion of the exercise and meeting the recommended target size of 50 respondents. 54 respondents were interviewed, from which a sample of 50 was retrieved while four were dropped on the basis of inconsistencies.

## Quantitative Findings

- 27% of the household budget is dedicated to the fuel related expenses;
- 94% believe that the communication strategy adopted by the government as inadequate
- 90% also believe the removal will have some impact on the economy
- 84% are not in support of the proposed removal
  - A substantial portion of the respondents not in support of the removal of the subsidy had no response as per the effect of their economic welfare while 75% of the 16% not in

support of the removal had a clearer idea of the impact whether negative or positive on their economic wellbeing.

Responses to the other questions indicate that there is a general awareness of the exchange rate and usage of ATM cards. Cash remains a prominent medium of exchange in Nigeria. The majority of the respondents canvassed for a stable exchange rate (84%), while there was a considerable displeasure with the level of security and current remuneration of public officers.

## Qualitative Findings

A good number of respondents agree that;

- There is a low-level of conviction of the reasons behind removal of fuel subsidy by the Federal Government,
- A removal of fuel subsidy will result in an increase in prices of commodities and cost of living,
- The Government should implement infrastructural reforms such as stable electricity and construction of new refineries, prior to removal of subsidy, and
- The removal of subsidy, if eventually it happens, should be phased and done gradually.

## Objectives

The objectives of this public poll are as follows;

- To present data on the general impressions of business owners on the impact of government's policy decisions on their businesses. The findings would serve as a classical case of the effects of non-consultation by government.
- To improve the quality of the dialogue.
- Delivery of membership polling on the fuel subsidy removal to NACCIMA.

## Scope of the Survey

This study covered several locations in Lagos and across some of the Northern and Eastern parts of Nigeria. In the Lagos metropolis the questionnaire was administered in the following locales namely; Ketu, Ikeja, Ajah community, Victoria Garden City Shopping Complex, Ibeju-Lekki LGA, University of Lagos, Lagos Island and Yaba.

## **Ethical Standards**

All respondents were assured of the confidentiality of their responses and encouraged to participate so as to improve the policy-making process of government.

## Fact-Sheet on Fuel Subsidy Removal

### Demographics of Respondents

		N	(%)
<b>Age group (years)</b>	Below 30 years	14	28.0
	30 - 40 years	19	38.0
	40 – 60 years	17	34.0
<b>Gender</b>	Male	31	62.0
	Female	19	38.0
<b>Marital Status</b>	Single	24	48.0
	Married	26	52.0
<b>Occupation</b>	Professional	16	32.0
	Business Owner	11	22.0
	Civil Servant	5	10.0
	Student	5	10.0
	Trader	3	6.0
	Transporters	3	6.0
	Others	1	14.0
<b>Average monthly household income (N)</b>	≤ N50,000	12	24.5
	> N51,000 – N100,000	20	40.8
	N100,000 – N500,000	17	34.7

## Awareness and knowledge of respondents on fuel subsidy

		N	(%)
<b>Understanding of the issue concerning fuel subsidy removal</b>	Yes	39	78.0
	No	11	22.0
<b>Level of understanding</b>	I don't understand	7	14.0
	I have a fair understanding	22	44.0
	I have a clear understanding	21	42.0
<b>Respondents opinion: if the Government has sufficiently explained and communicated the reasons for the proposed removal of the fuel subsidy</b>	Yes	3	6.0
	No	47	94.0

## Respondent's perceptions of the Impact of the proposed removal of the fuel subsidy

		N	(%)
<b>Do you support the removal of the fuel subsidy?</b>	Yes	8	16.0
	No	42	84.0
<b>In support of fuel subsidy removal: likely effect on your economic wellbeing?</b>	Positive Effect	4	50.0
	Negative Effect	2	25.0
	No effect	2	25.0
<b>Do not support subsidy removal: likely effect on your economic wellbeing?</b>	Negative Effect	8	
	No effect	2	
	No response	32	
<b>Do you think the removal of fuel subsidy would have an impact on economic activity in Nigeria?</b>	Yes	40	90.0
	No	10	10.0

The average percentage of monthly household budget allocated to fuel consumption in terms of the direct use of fuelling cars, public transport, running generators and other domestic uses (e.g. kerosene for cooking) = **26.5%**

		N	(%)
<b>Other issues</b>			
<b>Respondent's awareness of the Government policy as it relates to the subsidy imposed on fertilizers</b>	Yes	18	36.0
	No	32	64.0
<b>If yes, does this subsidy in your opinion translate into a reduction in the retail price of fertilizer?</b>	Yes	8	47.1
	No	6	35.3
	I don't know	3	17.6
	Not applicable	33	
<b>Do you think the government should remove the subsidy on fertilizers?</b>	Yes	5	29.4
	No	12	70.6
	Not applicable	33	
<b>Do you know what the current exchange rate of the Naira to the Dollar is?</b>	Yes	41	82.0
	No	9	18.0
<b>In your opinion should the focus of the Central Bank (CBN) be to stabilize the Naira?</b>	Yes	40	81.6
	No	9	18.4
	No response	1	
<b>Do you understand the concept of a cashless society?</b>	Yes	40	80.0
	No	10	20.0
<b>Do you currently use an ATM/Credit card?</b>	Yes	41	81.6
	No	9	18.4
<b>What medium of exchange do you currently adopt?</b>	Cash	35	71.4
	Cheque	5	10.2
	Transfers	5	10.2
	Point of Sale (POS) terminals	4	8.2
	No response	1	
<b>Would the proposed move towards a cashless economy by the CBN affect business transactions in Nigeria</b>	Yes	26	57.8
	No	19	42.2
	No response	5	
<b>Do you think the federal government spends too much money on the remuneration of public office holders'?</b>	Yes	41	83.7
	No	8	16.3

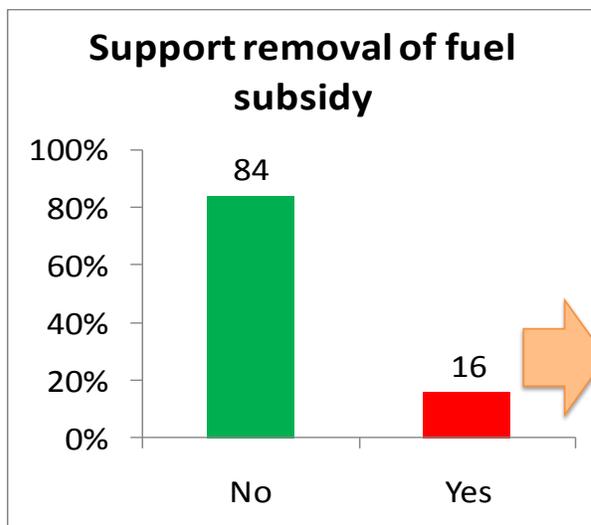
<b>How would you rate the performance of security agencies in Nigeria in securing lives and property?</b>	No response	1	
	Very poor	23	46.9
	Poor	15	30.6
	Neutral	6	12
	Good	5	2
	Very Good	0	0.0

## Perceptions of the Impact of the proposed removal of the fuel subsidy

**Q301.** Do you support the removal of fuel subsidy?

**Q302.** If Yes, how would you assess the likely effect of the removal of the fuel subsidy on your economic wellbeing?

- 84% of the respondents did not support the removal of fuel subsidy, compared to 16% who supported it.
- 50% of the respondents in favour of the removal were of the opinion that it would have positive effect, 25% of them cited negative effect and no effect respectively.

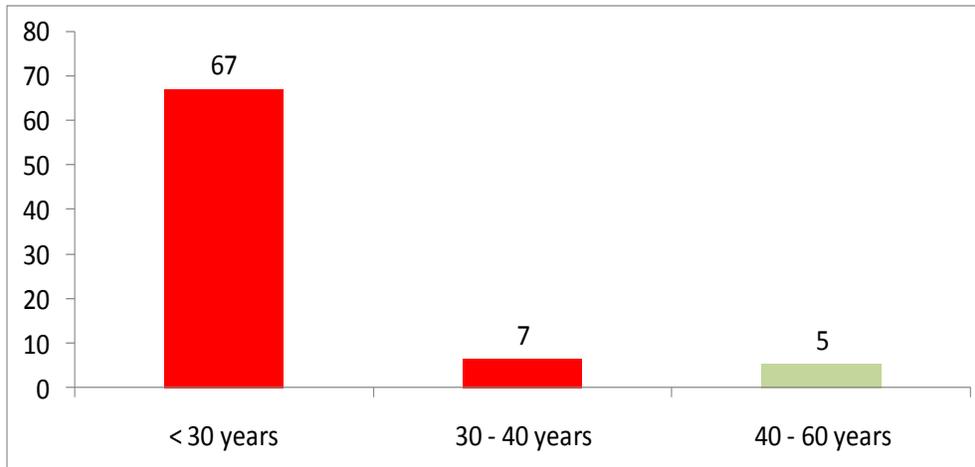


Base: 50

Likely effect	(%)
Positive effect	50
Negative effect	25
No effect	25

Base: 8

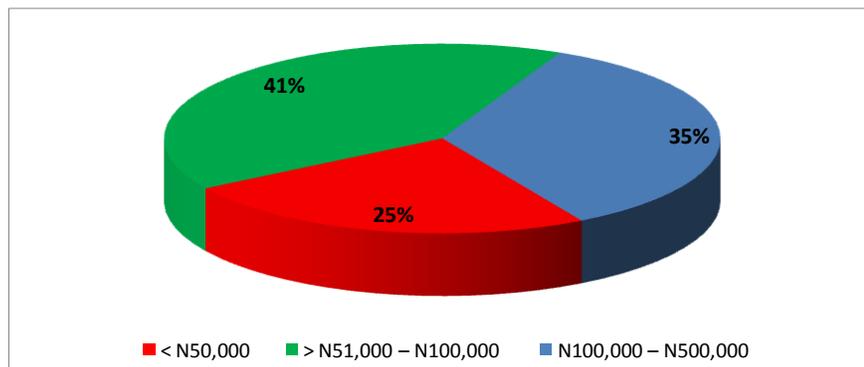
## Age distribution (years)



Base: 50

## Average monthly household income (N)

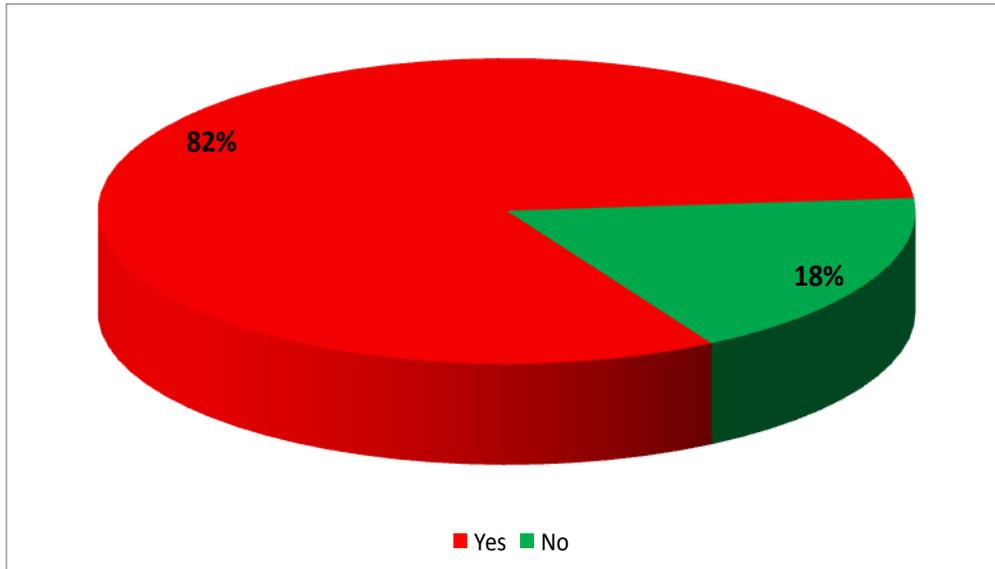
- Majority (41%) of the respondent earn between N51,000 – 100,000 monthly



Base: 50

## Awareness of the exchange rate of the Dollar to the Naira

- Majority (82%) of the respondents had good knowledge of the exchange rate of the Dollar to the Naira



Base: 50

## Methodology

### Definition of the Population and Survey Sample

The population for this study is a cross-section of NACCIMA members and members of the Organized Private sector (OPS). These include target occupations of professionals, business owners, students, traders, civil servants, traders and transporters.

Using Krejcie formula for calculating sample size, a standard sample size of at least 384 respondents would have been appropriate to elicit a significant outcome for a survey of this magnitude. A sample size of 50 was however adopted as specified in the terms of reference of NACCIMA.

### Data Collection

Data was collected through telephone interview, electronic mail and self-administration methods from respondents in various locations. In the Lagos metropolis the questionnaire was administered in the following locales namely; Ketu, Ikeja, Ajah, Victoria Garden City Shopping Complex, Ibeju-Lekki LGA, University of Lagos, Lagos Island and Yaba. A few responses were collated from the Northern and Eastern part of the country via e mail and the telephone methods of enquiry.

### Sampling Techniques

Quantitative research technique was adopted to select a cross-section of respondents; which includes professionals, business owners, students, traders, civil servants and transporters. A Questionnaire comprising of closed and open ended questions was used, after the consent of the respondents was sought. Thematic areas covered by the questionnaire include: Demographics (Age, Income, Occupation); Awareness and knowledge on fuel subsidy (understanding of fuel subsidy); Perceptions of the Impact of the proposed removal of the fuel subsidy; Views on the Implementation Plan, as well as Other issues (removal of fertilizer subsidy, stabilization of the Naira – exchange rates, the policy on cashless society, government expenditure and security).

The data obtained was processed and analyzed using Statistical Package for Social Sciences, SPSS version 17.0, a statistical computer program. Descriptive and relevant inferential statistics were determined for

the measured parameters. Charts (Pie, histograms etc.) were appropriately used for graphical demonstrations. (Confidence level = 95%).

### **Data Quality: Exclusions from the Sample/Limitations**

In order to ascertain the explanatory potential of the questionnaire; particularly in terms of its validity and reliability, and its appropriateness in eliciting responses; the questionnaire was pretested. The developed instrument was then administered on 50 respondents from the sample size. To ensure data quality with this reduced sample size, a sample of 54 respondents was obtained, which was then adequately processed and reduced to 50.

## Data Analysis Discussions

### Quantitative Findings

#### Fuel Subsidy:

This study was carried out on at least six categories of workers in Nigeria, from Professionals to Business owners, Civil servants, Traders to Transporters. The Poll recorded a decent response rate of approximately 95 per cent (see Methodology). Professionals and business owners make up 54 per cent of the respondents, Civil servants make up 10 per cent, Students make up 10 per cent, while the remaining 24 per cent was drawn from traders, transporters, and others. Although, there is a high level (86 per cent) of understanding of the fuel subsidy issue among respondents, 94 per cent believe that the Federal Government has not been convincing enough in communicating the evidence for removal of subsidy at this stage. Thus, about 84 per cent of the respondents did not support the removal of fuel subsidy while 16 per cent supported its removal in the light of certain proposed changes that the Federal Government needs to put in place. These changes include building of refineries and fixing of electricity supply.

In the study, we also find that respondents spend an average of 26.5 per cent of their monthly income on consumption of petrol for transportation and electricity generation. Among the respondents, we find that 90 per cent believe there would be significant impact on economic activities if the subsidy is removed as planned.

#### Other Issues:

This opinion poll also tested other national policy issues that have recently generated discourse among citizens. The issues include subsidy removal on fertilizers, monetary policy of the CBN on exchange rate, cashless economy policy of the CBN, government recurrent expenditure for remuneration of public office holders and the state of security of lives and property. The results showed a low awareness (36 per cent) of the public on fertilizer subsidies. However, participants appeared to be quite aware of foreign exchange rates with 82 per cent maintaining that the Central Bank should focus on stabilizing the Naira against the dollar. On the issue of cashless economy, 81 per cent of respondents answered that they were aware of the policy and were currently making use of ATM cards though 71.4 per cent of them still prefer cash for their business transactions. Finally, a large percentage (84 %) of respondents are of the opinion that the government currently spends too much money on the remuneration of

public office holders while 46 per cent think security agencies have been very poor in securing lives and properties.

## Qualitative Findings

### Fuel Subsidy:

A qualitative interpretation of participants' responses gives deeper insight into some of the responses. For instance, 94 per cent of the respondents opined that the Federal Government has not sufficiently explained and communicated reasons for the proposed removal of the fuel subsidy. In support of their opinion, majority of the respondents said that there is poor awareness among Nigerians, a possibility of deliberately hiding information to avoid public debate, and that the reasons from the federal government are not convincing enough.

From the 90 per cent of respondents who believe that the removal of fuel subsidy would have an impact on economic activities in Nigeria, a good number maintain that it will increase the cost of living – transportation, pressure on wage rates and commodity prices – thereby making life more difficult for majority of Nigerians. There is also an agreement within a cohort of respondents that the removal of fuel subsidy will further worsen the state of unemployment in the country.

When asked the action(s) the federal government should take in reducing the burden of fuel subsidy removal on the populace, the respondents said that that the government should control the price of fuel (price cap), provide efficient and adequate power supply, promote stability of the prices of other commodities, fully utilize the capacity of the domestic refineries and build new refineries as well as the provide good road infrastructure.

If at all the Government must implement the proposed removal of fuel subsidy, the respondents believe that it should be carried out gradually, in phases – relative to the improved utilization of domestic refineries. In addition, they believe that the government should seek the opinion of the public in determining the rate at which it should be removed. This, they believe, will require adequate sensitization of the public on the subject of fuel subsidy before such opinion poll.

### Other Issues:

81.6 per cent of the respondents believe that Central Bank (CBN) should focus on stabilizing the Naira. According to majority of them, this will promotion of economic stability, enhance business planning and improve Nigeria's balance of trade by assuring businesses of price predictability and checking inflation.

57.8 per cent of the respondents believe that the proposed move towards a cashless economy by the Central Bank of Nigeria (CBN) would affect business transactions in Nigeria, while 42.2 per cent believe that it would not affect businesses in Nigeria. Those believe that it would affect businesses in Nigeria argue that the dearth of technological infrastructure, poor network services among operators including banks, high level of illiteracy and the lack of social capital (trust) would militate against its implementation. In addition, they believe that it would increase techno-crime and make transaction difficult for local traders and small business owners. On the other hand, those who believe that it would not affect businesses in Nigeria argue that cashless economy would reduce burden of carrying cash, promote security and make business transactions more convenient.