



IMPACT OF FUEL SUBSIDY REMOVAL ON OPERATIONAL DYNAMICS OF NIGERIAN EDUCATIONAL INSTITUTIONS

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Abstract

This paper discussed the impact of fuel subsidy removal on operational dynamics of Nigeria educational institutions. Secondary data were used in the paper. The data were collected from print and online publications. The paper concluded that increment in the operational cost of schools, increment in school transportation fares, increment in school fees, increment in prices of instructional materials, reduction in hours of the teaching programme, and learning programme and delay in payment of school fees are the effect of subsidy removal on Nigerian educational institutions. Based on the effect identified, the paper recommended an investment of 20% of subsidy funds on education, provision of school buses to all educational institutions, provision of instructional resources for basic and secondary school institutions, commencement of scholarship and bursaries programmes for tertiary institutions students, review and increase the salaries and allowances of staff of educational institutions at all levels.

Keywords: Impact, Educational Institutions, Fuel Subsidy Removal

Introduction

Nigeria economic landscape has been shaped by various policy interventions, including the removal of fuel subsidies, aimed at achieving fiscal sustainability and promoting economic reforms (World Bank 2022, IMF, 2021). Fuel subsidies once a common feature in Nigeria's economy, have been a subject of debate due to their financial implications and effect on

sectors like energy, transport and education. The removal of such subsidies often leads to adjustment in fuel pricing, influencing operational costs across different industries (Ogbonna, 2019). Education institutions in Nigeria encompassing Universities, Colleges of Education, Polytechniques and Secondary schools, play a critical role in national development but face multifaceted



challenges including funding constraints, infrastructural deficits, and operational inefficiencies (Okebukola, 2016). The operational dynamics of these institutions are intertwined with energy costs, transportation expenses and overall economic conditions (Adeyemi, 2018). Fuel subsidy removal, leading to increased fuel prices (PMS), potentially exacerbates cost pressures on educational institutions affecting areas like transportation of students/staff, power generators, and procurement of goods/services (Nwosu & Nwankwo, 2020).

In his inaugural address, President Tinubu declared that there would no longer be a petroleum subsidies regime as it was not sustainable. “We commend the decision of the outgoing administration in phasing out the petrol subsidy regime which has increasingly favoured the rich more than the poor. Subsidy can no longer justify its ever-increasing costs in the wake of drying resources. We shall, instead, re-channel the funds into better investment in public infrastructure, education, health care and jobs that will materially improve the lives of millions,” Mr Tinubu said.

Nigeria has spent trillions of naira on petrol subsidies in recent years, more than it spent on healthcare, education and key areas of human capital development. Experts and global development organisations have warned against the policy and its effect on Nigeria’s fiscal sustainability. This year, the immediate past government only provided budgetary allocation for petrol subsidy until 30 June, after saying it would leave the incoming administration to make a final decision on the matter.

The removal of subsidies on fuel in Nigeria has led to an increment in prices of goods and services which had impacted negatively on every institution in the country. The abrupt increase in fuel prices resulting from the

subsidy removal has further compounded the economic hardships faced by the already struggling Nigerian masses that are grappling with high unemployment rates and pervasive economic challenges (Darlington & Monday, 2023; Ogunode & Aregbesola, 2023). Educational institutions have been affected. School administrators, teachers and students are not exempted. Since the removal of the subsidy school administration and teaching and learning have not been the same again (Ogunode et al, 2023). Based on this submission, this paper aims to examine the impact of subsidy removal.

Concept of Subsidy

A subsidy is a form of financial assistance provide by the government or an organization to support a particular economic sector, industry, activity, or group. Subsidies aim to promote economic and social objectives by making goods and services more affordable (Adebisi, 2017).

A subsidy is a policy adopted by institutions or governments to reduce the prices of goods for an individual or a firm by paying part of the production cost. A subsidy is an official payment of goods for an individual or a firm, usually in the form of a cash payment from the government to reduce to prices of goods. In economic theory, subsidies can be used to offset market failures and externalities to achieve greater economic efficiency (Ogunode & Aregbesola, 2023). According to Project Clue (2023), subsidy is a decrease in the market price of products and services by the government so that people with limited purchasing power can obtain such goods and services. It occurs when the government assists customers in paying a price that is lower than the market price for consumer products. A subsidy is any measure that keeps prices consumers pay for goods or products below market levels for consumers or producers above market. Subsidies take different forms. Some subsidies have a direct



impact on price. These include grants, tax reductions and exemptions or price controls (Adebiyi, 2017).

Concept of Subsidy Removal

Fuel subsidy removal refers to the cessation or reduction of government financial/support aimed at lowering fuel prices for consumers (Ogbonna, 2019). This policy shift often leads to an increase in fuel prices, impacting various economic sectors and households. Subsidy removal is an official elimination of subsidies on products formerly subsidized. Subsidy removal is the decision of the government or institutions to stop payment of subsidies on products or services previously subsidized (Ogunode et al 2023). Subsidy removal is the stoppage of the subsidy regime in institutions or countries. Subsidy removal is the policy of liberating the prices of goods and services to be regulated by forces of demand and supply (Ogunode et al., 2023).

The federal government led by President Bola Ahmed Tinubu announced the removal of subsidy on Premium Motor Spirit (PMS), popularly known as petrol. In its reaction to the new development, the Nigerian National Petroleum Company Limited (NNPCL) approved an upward review in the pump price of petroleum nationwide. This resulted in increment in the price up to an average of N500 from an average of N189.

Concept of Educational Institutions

Educational institutions are establishments providing formal education and training, pivotal in societal development, knowledge dissemination, and human capital formation (Okebukola, 2016). They encompass primary schools, secondary schools, polytechniques colleges of education, universities and vocational institutions, each serving distinct educational purposes. The core functions include teaching, research in higher education settings, and community service,

contributing to individual growth and societal development the effectiveness of educational institutions hinges on factors like curriculum design, pedagogical approach, assessment methods, infrastructure quality, and faculty competence (Adeyemi, 2018). Funding constraints pose significant challenges, impacting resource availability and quality in many contexts, including Nigeria (UNESCO, 2021). Equity and access remain critical issues with disparities often reflecting socio-economic and geographical divides.

Educational institutions are institutions saddled with the provision of educational services. Educational institutions are institutions established to provide teaching services for the general public. Educational institutions include early child education, basic education, junior secondary school education, senior secondary schools and tertiary education.

Historical Development of Fuel Subsidy in Nigeria

Nigeria's journey with fuel subsidy removal is a complex tale of economic reforms, social unrest, and political maneuvering stretching back decades (Orluchkwu, 2023). The concept of fuel subsidies in Nigeria dates back to the military era, specifically the 1970s, following the oil boom that positioned Nigeria as a significant Crude Oil producer globally. Successive governments sought to keep fuel prices affordable for citizens, viewing subsidies as a means to foster stability and support economic activities.

One of the earliest notable actions regarding fuel pricing was under General Olusegun Obasanjo's military rule (1976-1979), where efforts were made to regulate fuel prices and fluctuating global oil prices. Later, General Ibrahim Babangida (1985-1993) structured the fuel subsidy policy more formally as part



of addressing economic challenges, introducing slight price increases while maintaining subsidies partly due to International Monetary Fund (IMF) recommendations (Goli, 2019).

In the democratic era, attempts at subsidy removal have been contentious. President Olusegun Obasanjo (1999-2007) attempted deregulation of the downstream oil sector, including subsidy removal, but public resistance led to abandonment of the plan. A significant attempt was made by President Goodluck Jonathan in January 2012, announcing subsidy removal leading to fuel price hikes from N65 to N141 per litre, sparking nationwide 'Occupy Nigeria's protests. Public backlash forced partial reinstatement, reducing prices to N97 per litre (Goli, 2019).

Late President Muhammadu Buhari's administration (2015-2023) grappled with subsidy challenges. Announcing gradual phasing out in 2016 amid declining oil prices and financial constraints. However, public and political pressures influenced policy reversals and adjustments (Orluchkwu, 2023). By 2020, and COVID-19 impacts, subsidy removal was considered but soon reintroduced due to economic and social pressures.

A landmark announcement came from President Bola Ahmed Tinubu in May 2023, declaring "the fuel subsidy is gone" marking a significant policy shift aimed at addressing unsustainable fiscal burdens and corruption associated with subsidies. This led to immediate fuel price spikes, reaching N500-N600 per litre in many areas, justified as necessary for redirecting funds to critical sectors like infrastructure and social welfare (Lilly, 2023).

Effect of Fuel Subsidy Removal on Educational Institutions in Nigeria:

There are many effect of fuel subsidy removal on educational institutions. Some of the effect are as follows:

Increment in operational cost of running schools: Subsidy removal in Nigeria has led to an increment in the operational cost of running schools across the country. The hike in petrol pump prices affected the general costs of goods and this affected the cost of running educational institutions. Almost everything used daily running of schools has increased. Nwaoga & Casimir (2013) and Ogunode et al. (2023) asserted school administration of most educational institutions has been affected in Nigeria due to subsidy removal. The removal of subsidies has increased the cost of running the schools. School administration is the internal arrangement of school resources to the implementation of school programs. School administration looks at education from specific educational institutions. The school administration is the internal activity that deals with coordinating of school programme for optimum performance. The current economic hardship has adversely affected most public and private schools as the price of educational resources has gone high. Ejiogu et al. (2023) reported that the proprietor of Confluence Excellent Group of Schools, Mr Adewale, noted that the cost of running the school has been seriously aggravated by the removal of the subsidy. "This has drastically doubled the cost of fuelling and maintaining the school bus. This in effect makes the upward review of the school fees inevitable," he said.

Increment in School Transportation Fares: The fuel subsidy removal has led to an increment in school transportation fares. Many school administrators, teachers and students pay more to go to schools in the post-subsidy regime because the increment resulted in to increase in transport fares and



logistic costs. Ejiogu et al. (2023) reported that Mrs Margaret John Leonard, a concerned parent, shared her experience, saying: “It has become increasingly difficult to transport my children to school due to the exorbitant fares charged by commercial motorcyclists, commonly known as bikes. Furthermore, the school bus fees have also skyrocketed, making it a pressing issue for many parents.” Consequently, the prices of goods and services in the country have also skyrocketed. Today, most parents whose children and wards are still in school are struggling to ensure that they will continue to be in school. They have the challenges of the high cost of transportation for those going from their homes and feeding for those in the boarding schools (Ejiogu, et al 2023). Transport fares and prices of essential goods and services shot up significantly across the country last week as Nigerians grappled with the ripple effect of the government’s decision on fuel subsidy removal.

Increment in School fees: The petrol price hike as a result of subsidy removal also led to an increment in school fees of educational institutions. Both public and private educational institutions in Nigeria have increased their school fees due to the subsidy removal. Ejiogu et al. (2023) reported a school proprietor in Makurdi, Mrs Agatha Yanaga, has sympathized with parents over the economic situation in the country. Yanaga said that their plan to increase the fees is not borne out of greed to make quick money but to enable them to pay salaries to their teachers that will reflect the current economic concerns and take some burdens off their workers. According to her, school fees go beyond tuition fees, and include all other materials needed for the children’s learning which are provided by their parents, especially books. In essence, the general Increments in the prices of goods affected the cost of books and other consumables. “So, for that reason, there is surely going to be an

increment in school fees to cater for all of the recent price increments.” Investigations by Sunday Sun (2023) revealed that most of the private schools in the state have decided to increase school fees, which will take effect from September this year.

Increment in Prices of Instructional Materials: Subsidy removal of fuel products in Nigeria has led to an increment in the price of instructional materials /resources. The prices of various instrument materials have gone up due to the removal of subsidies in Nigeria (Okonkwo, 2023; Omoniyi, 2023). Subsidy removal affected by the petrol price hike is the prices of commodities in the market moving up high. Sunday Sun (2023) reported that the school administrator of Graceville Christian School in Jos North, Mrs. Adeloye Lucky noted the increase in this fuel price is affecting education already. Nigerian books which we used to buy at N1, 200, now cost N2, 000, some N2,500 for the same book because of the cost of transportation and you can’t blame them because they can’t sell at a loss either, they have to sell it at a profit,” Lucky said. Fuel is our life wire in this country, it is something that when you touch in this country it will affect everything. Fuel affects everything. “The cost of instructional materials is very high because of the cost of transporting these resources from the cities (Darlington & Monday, 2023; Ejiogu et al., 2023).

Reduction in Teaching Hours: Subsidy removal in Nigeria has affected the teaching programme of educational institutions across the country. The teaching programme is one of the most important programmes of educational institutions. Teaching programme implementation is done by the teachers. The teacher is an important figure in the realization of the objective of educational institutions. The teacher is responsible for the training and production of manpower for social, economic and



technological advancement. Ogunode et al. (2020) also observed that teachers are fundamental to the effective delivery of teaching programmes in educational institutions. The teachers' place in the educational institutions cannot be replaced. Teachers are the implementers of the curriculum. The teacher plans the lesson, organizes the instructional resources and delivers the lesson. The teachers ensure the students learn the right knowledge and skills through the process of teaching and learning. Atiga & Ogunode (2021) and Ogunode & Abiola (2022) opined that teachers are the implementers of the school curriculum. Their functions include teaching, preparing lesson notes and lesson plans, evaluating the students, setting exam questions and marking answer sheets. Their functions also include providing leadership in classes, performing academic services, relating with parents on feedback on students' progress and sometimes carrying students on excursions with school permission. Teachers are very important factors in the management of educational institutions, especially secondary schools.

The teachers' roles cannot be replaced in delivering of teaching programme. Majorities of the teachers in Nigerian educational institutions stay off the school facilities. Teachers are expected to transport themselves to school. The subsidy removal in Nigeria have led to an increment in transportation fair which have affected the movement of many teachers from their various houses to their schools. Many teachers have been missing classes due to their inability to meet up with the cost of transporting themselves to schools at basic and senior secondary schools. At the tertiary institutions, many lecturers have decided to compress their lectures to one or two days a week while others lectures have decided to migrate to an online method of teaching. Online teaching has been described by

Ogunode (2020) and Ogunode (2021) as a form of teaching delivered through an electronic platform. This teaching method is capital-intensive. Ogunode et al. (2023) noted teaching programme implementation in Nigerian educational institutions has been affected by the subsidy removal. The increment in fuel price has led to an increment in transportation fares which directly and indirectly affected the teachers' movement to schools. Many teachers are now missing classes due to their inability to come to school while in tertiary institutions many lecturers have decided to compress their lectures to once or twice a week. And other lecturers have changed to a virtual model of teaching. The post-subsidy removal in Nigeria has affected the implementation of teaching programmes in Nigerian educational institutions. Subsidy removal has impacted negatively on the entire educational system leading to a reduction in the teaching hours in schools because teachers cannot cope with the increment in transportation fares (Bamidele 2023; Ogunode et al., 2023).

Reduction in Learning Hours: Subsidy removal has affected the learning programme of many students in Nigerian educational institutions across the country. Students or learners are regarded as the kings of educational institutions because the educational institutions are subjected to their interests. Ogunode et al. (2020) observed that students are learners in educational institutions. Studentship starts from early childhood education to basic education to secondary school education and ends in higher institutions. Higher institution students are learners in higher institutions. Higher institution students are mature learners. Students in higher institutions are aged 18 years and above. Students of higher institutions are ready for learning and research. Some of the students of higher institutions are dependent while others are independent. Students in higher institutions



are doing first-degree, second degree or third-degree (Ogunode et al., 2020b; Ogunode & Abubakar, 2021). The subsidy removal has impacted negatively on the students and learners in Nigerian educational institutions. Most of the students transport to school dailies because their schools are located far from their homes. Due to the high cost of transportation fares that is caused by the removal of subsidies, many of the students at the basic schools and secondary schools now miss lessons in their respective schools. At tertiary institutions, many of the students have decided to come to school once or twice and get notes from those who attended the lectures. Ogunode et al. (2023) submitted that when students miss lectures, it affects the quality of education they receive. Musa (2023) and Ogunode (2020) concluded that the poor coverage of syllables and scheme of work by teachers and the failure of students to attend classes can result in poor-quality graduates from our institutions. So, the removal of subsidies can affect learning programmes and result in poor quality of education.

Delay in Payment of School Fees: The subsidy removal and increment in price of goods and services have led to an increase in living costs in Nigeria and this made it impossible for many parents to pay school fees of their children in both public and private institutions across the country. For Mrs. Ruth Baaki, as reported by Ejiogu et al. (2023) the deteriorating economic situation has been difficult to bear. It has not been easy paying fees and coping with the high transportation cost that she incurs in taking her children to school daily. “The removal of subsidy increased the cost of living, especially transportation. This situation has become a huge problem and has affected the payment of school fees. Most of the time, it takes me up to the end of the term to finish paying the fees because it’s not only one child that I’m paying for. “You pay for

transport, you pay school fees and there are other things which the schools require from parents. In the face of all these, the salaries of workers have not. “You pay for transport, you pay school fees and there are other things which the schools require from parents. In the face of all these, the salaries of workers have not increased. Some are not even being paid. So, I want to appeal to schools to delay the increment of school fees for now because there is no money to pay. Mrs Yanaga noted that payment of school fees has been low in recent times following the subsidy removal, Mrs Yanaga observed that “most parents are complaining that they couldn’t pay because payment of salaries in the state is almost zero. Also, Gorgeous Montessori School, located on Kwandere Road in Ombi 2, Lafia, is among several educational institutions in Nasarawa State facing a significant decline in payment of school fees. School proprietors and parents alike are expressing frustration over the prevailing harsh economic condition, which has left many families struggling to meet their financial obligations. Mrs Oby Nwafor, the proprietress of Gorgeous School, lamented the decline in payment of fees for the current academic session, stating that only 40 per cent of parents had so far paid their children’s fees. She attributed the trend to the hardship faced by families, which has made it increasingly challenging to allocate funds for education as reported by Ejiogu et al. (2023).

Conclusion:

The removal of fuel subsidies in Nigeria represents a pivotal economic reform aimed at addressing fiscal unsustainability and promoting market efficiency. This paper discussed the impact of subsidy removal on educational institutions in Nigeria. The paper concluded that increment in the operational cost of schools, increment in school transportation fares, increment in school fees, increment in prices of instructional materials, reduction in hours of the teaching



programme, and learning programme and delay in payment of school fees are the impact of subsidy removal on Nigerian educational institutions.

The findings indicate that the policy shift significantly increased transportation and energy costs, which in turn disrupted routine academic activities, reduced staff and students' attendance and constrained institutional budgeting for essential services.

Recommendations:

Enhancing transparency and accountability in the management of Nigerian's petroleum sector and redirecting saved resources towards critical infrastructure and social welfare programs are crucial for garnering public support and ensuring the sustainability of such economic reform. Based on the impacts identified, the paper hereby recommended

1. An investment of 20% of subsidy funds on education, provision of school buses to all educational institutions,
2. Provision of instructional resources for basic and secondary school institutions, commencement of scholarship and bursaries programme for tertiary institutions students,
3. Review and increment in salaries and allowances of staff of educational institutions at all levels.

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