Fuel Subsidy and Hyper Corruption in Nigeria

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Abstract: Fuel subsidy has caused so much mightronares and troubles in Nigeria. It was the hydra problem confronting Nigeria national budget. Issues surfaced on the 29th day of May, 2023, when President Bola Ahmed Tinubu removed fuel subsidy in Nigeria. Greatest number of Nigerians accepted the removal of the fuel subsidy in good faith against the backdrop of its benefits. Fundamentally, the fuel subsidy in Nigeria was used as a conduit pipe to siphon Nigeria’s resources. For example, an erstwhile Minister of Finance in Nigeria in August, 2020 said the federal government of Nigeria spends about N18-397 billion (Naira) on fuel subsidy daily. Also, a forensic audit of Nigerian National Petroleum Corporation (NNPC) by Price Water House Coopers revealed that petrol subsidy cost Nigeria almost ten billion naira between January 2012 and July 2013.

Subsidy also distorted market and frustrated investment. “The greatest happiness of the greatest number” theory is adopted as the theoretical framework for this study and used the historical design, and the data collected are from secondary sources. The paper also pursues at the reasons for the removal of fuel subsidy in Nigeria and the gains Nigeria will make thereafter in the fuel industries. This study finds among others that corruption has rubbished the fuel subsidy in Nigeria. This paper finally made some recommendations that government officials and private participants in the petroleum industry found guilty of corruption in fuel subsidy in Nigeria should be sent to the gallows among others.

Keywords: Fuel Subsidy: Corruption: Budget: Market Prices: Bureaucracy: Poor Masses: Nigeria.

1.0 Introduction of the Study
On the day of the swearing in ceremony of the current president of Nigeria, an air of uncertainties was generated all over the country when the recently sworn in president, Ahmed Bola Tinubu boldly declared that the long controversial and corruption infested “Fuel Subsidy” regime was gone. There was a general consensus in the country that there was need to remove the Fuel subsidy in Nigeria petroleum sector because the high degree of corruption in the administration of the subsidy regime has become intolerable. Erude et al. (2023) argued that the practice of crude oil subsidy regime has become the bane of Nigeria National Budget over the years. In the recently electoral campaign, all the major presidential candidates frowned at the fuel subsidy as a result of its attending negative effects on the Nigerian economy (Akomolafe, 2022; Amusat et al., 2022). Infact, it was Muhammadu Buhari’s regime that first removed the fuel subsidy. Before the regime of President Bola Ahmed Tinubu, Buhari’s regime announced a July, 2023 date for the termination of fuel subsidy regime but President Bola Ahmed Tinubu could not wait for July, 2023 to eliminate fuel subsidy (Obaseki, 2022; Okwuofo, 2017; PwC 2022). So, immediately he was sworn-in as President and Commander – In - Chief of the Armed Forces, the first policy statement that he made was the removal of fuel subsidy.

Nnadozie et al. (2023) stressed that a greatest number of Nigerians accepted the removal of fuel subsidy against the backdrop of its benefits. The authors argued further that the subsidy regime in Nigeria was used as a conduit pipe in siphoning Nigeria’s money. For instance, a former Minister of Finance, Hajiyi Zainab Ahmed in August, 2020 said the Federal Government of Nigeria spends about ₦18.397 billion (Eighteen Billion, Three Hundred and Ninety-Seven Million Naira) on fuel subsidy daily. She made this statement to the House of Representatives Ad-hoc committee on payment of petrol subsidy (Nnadozie et al., 2023). Also, previous audits by government and plethora of fuel subsidy suits before several courts in Nigeria have shown massive corruption by both Government officials and private participants in the oil corporation (Ayanruoh, 2023). In addition, a report by the Presidential Committee on Verification and Reconciliation of Petrol Subsidy Payment chaired by Mr. Aigboje Aig- Imoukhuede showed that in 2011, 197 Subsidy transactions of about ₦232,000,000.00 (Two Hundred and Thirty- Two Billion Naira) were fraudulent and scams. A released forensic Audit of Nigerian National Petroleum Corporation (NNPC) by price water house coopers indicated that petrol subsidy cost Nigeria almost Ten Billion Naira between January 2012 and July 2013 (Ayannuoh, 2023).

Fuel subsidy has been an issue that has ravaged the Nigerian economy beyond revamp. Fraud is associated with petrol subsidy execution (Amaihian et al., 2022; James & Jonah, 2022). The Greatest chunk of Nigerian National Petroleum Corporation (NNPC) withholding is pushed to fuel subsidy payments which are opened to misappropriation. In Nigeria, fuel subsidy has been two and five times the size of the Federal Education Budget and about seven times the health Budget of Nigeria. The Nigeria Extractive Industries Transparency Initiative, NEITI, an Independent report of audit showed that about over N13,697 Trillion ($74.3862 million) has been spent as subsidy to fuel marketers between 2005 and 2012. Further evidence revealed that a substantial amount of the subsidy paid showed that N2.197 billion has been paid as subsidy in 2005. It increased to N236.64 billion in 2007 and N360.1 billion in 2008.

It is somewhat worrisome that current figure published by Nigerian National Petroleum Corporation, (NNPC) showed that the corporation is owing N2.8 trillion ($6.1 billion) in outstanding subsidy payment by government. That Government is wasting about N400 billion ($867 million monthly on subsidy. It is on record that the amount paid on subsidy between 2005 and 2022 is equal to the total budget for Agriculture health, Education and Defence in recent time (Nnadozie et al., 2023). The above amount is more or less the capital expenditure for 10 years between 2011 and 2020. Besides, all of the countries that borders Nigeria are benefiting immensely from cheap petrol pump prices due to fuel smuggling through the many porous borders
of Nigeria. Ayanruoh (2023) posited that Nigerian subsidized fuel are consumed by Nigeria’s neighbors through smuggling where it is sold at market prices, as Nigeria suffer from fuel scarcity and long queues at gas stations. The anti-dote for these problems associated with fuel subsidy is the dismantling of fuel subsidy regime in Nigeria. As a result of all these grafts, the effects of fuel subsidy cannot be over emphasized. As Adekoya (2023) argued that subsidy distorted market and frustrate investments. The author also mentioned that the subsidy regime exists where the government fails to implement programmes to internalize uncontrolled cost of fuel markets. This paper critically examine the reasons for the removal of fuel subsidy in Nigeria and benefits to Nigerians, with the mindset of making recommendations to the government of Federal Republic of Nigerian the need to use the gains of the removal of the subsidy for the benefits of all Nigerians, hence this paper.

2.0 Review of Related Literature

Various public issues analysts, economists, scholars have written severally on “Removal of fuel subsidy in Nigeria” by President Bola Ahmed Tinubu. Ayanruoh (2023), in a study carried out on fuel subsidy removal in Nigeria, posited that corruption is connected to fuel subsidy implementation. He further posited that Mallam Nuhu Ribadu’s Petroleum Revenue Special Task Force’s Report showed that Nigerian National Petroleum Corporation withheld about ₦1, 983trillion subsidies between 2005 and 2011. This amount represents about 40% of the 2016 National budget. Adekoya (2023), in his study “Bursting the scamsidy bubble”, adumbrated that subsidy policy has been scam, organized by the elites at the detriment of ignorant, non-discerning Nigerians. He further said that subsidy was constructed to help the poor meet the cost of petrol. The author concluded that massive investment in the mid and downstream sectors of the economy that hitherto could have been locked out due to the subsidy regime was truncated.

Amadi (2023), in his study, “Removal of Subsidy: the audacity of courage and political will”, opined that an annual payment of over ₦6.5 trillion (six trillion, five hundred billion Naira) for the payment of subsidy to unknown importers and unknown quantity of fuel supplied by the NNPC. He further said that the Federal Government of Nigeria should initiate an investigation into the activities of NNPC using International Accounting firms to carry out real auditing under best International practices so that Nigerians will start surviving again. Ejoh & Eko (2023), in their study “why, how petrol subsidy should be removed, reported that KPMG, a global accounting services company has explained how Nigeria’s neighbours especially Republics of Benin and Togo are benefiting from fuel smuggling in Nigeria, they also posited an economic benefit to Nigeria after the removal of subsidy.

2.1 The Concept of Corruption

There is no universal definition of the term “Corruption”. Several attempts have been made by scholars, sociologist, jurist to design a universal acceptable definition of corruption but they were not successful against the backdrop of different background the proponents of the idea. In any case, corruption has been used to describe conducts that show the abuse of public office for personal gain. Kaufman et al. (2000) argued that, corruption exist within specific condition in any society, although, it is not peculiar, its incidence is more severe in developing countries. In his analysis, Gyimah (2002) opined that corruption is a word that has been conceptualized by both practitioners and scholars who study corruption. According to UNODC (2023), corruption is a holistic socio-political cum economic conception that exists in all nations of the world.

Wubante et al. (2022) stressed that corruption as a term exists regardless of democratic structures, impedes economic growth and strengthens governmental instability. Corruption as a term fights the pillars of democratic structures by causing instability on electoral processes, negating the tenets rule of law, as well as causing bureaucratic quagmires whose essence is to solicit for bribes. According to Erude et al. (2023) 'bureaucratic features in the civil service of Nigeria is highly corrupt.' The authors likened corruption to the kind of bureaucracy in the country. Sokoh (2017), on his part likened corruption to age falsification in the civil service. To him, age falsification is another form of corruption, and it affects the civil service vis-a-vis job
performance. In the view of Babatola et al. (2020), corruption is an enemy to the peace and tranquility of any society. It is in this regard that the fuel subsidy regime in Nigeria is characterized with corruption.

2.2 Fuel Subsidy as Financial Grant

Fuel subsidy is a grant mostly of financial aid given by a government for the purpose of maintaining or keeping at equilibrium, the prices of an item at a given level. To subsidise is to give out a product lower than its cost of production. In this regard, fuel subsidy, is the sale of petrol lower than importation cost. By and large, fuel subsidy is defined as effort by the government in settling the cost for the disparities between the pump price of fuel at the petrol station and the real cost of the product (Shu'ara & Amin, 2022; Wubante et al., 2022). It is a grant cum aid (financial) from the government that is utilized to strike at equilibrium the low price of petroleum products. Ohanyelu (2022) posited that one major reason for fuel subsidy by the government, is to enable the sales of fuel at a lower price. By so doing, the burden of the citizens cum users of fuel, especially lower income earners, are being eased. The Federal Government of Nigeria Policy created fuel subsidy in Nigeria when it could not set fuel prices equal to the marginal cost of production. Subsidy exists where the Government of the Federal Republic of Nigeria neglected and refused to implement programmes to internalize uncontrolled costs in energy markets. In Nigeria, fuel subsidy has been a sustainable liability to Nigerian’s budget and corruption is bane of fuel subsidy in Nigeria (Onakpa & Alfred, 2022).

2.3 Theoretical Research Framework

The theoretical framework adopted for this paper is the theory of “the greatest happiness of the greatest number”. This theory was provided by the utilitarian school and the proponents were Jeremy Bentham (1748 - 1832) and John Stuart Mill (1806 – 1873). Central to this theory is that it is the constitutional responsibility of the government to promote good government and welfare of the majority of the citizenry in a country (Sokoh, 2017; United Nations, 2022). Inspite of the weaknesses of this theory, it is most valuable theory in governance and it is the parameters used for gauging the performance of the government. Agbakwuru (2023) opined that the majority of the citizenry would be happy if the government provides enabling environment for them to at least potentially realize the best in themselves. Controversies hit Nigeria over President Bola Ahmed Tinubu’s declaration on removal of fuel subsidy in Nigeria.

The announcement of the abolition of fuel subsidy sent wrong signals to Nigerians. Fuel dealers put their dispensing meters under locks and keys, started selling fuel to black marketers and were selling fuel at ₦1000.00 (One Thousand Naira) per liter (Kaufman et al., 2002; Agiri & Morka, 2022). Later Nigerians were sensitized about the gain of the removal of the fuel subsidy. They were made to appreciate the fact that fuel subsidy has been a sustainable liability to the National budget and subsidy implementation (Dawit, 2022; Egounleti, 2022). In addition, Nigerians were told that the removal of fuel subsidy in Nigeria will bring huge happiness and pleasure to the greatest number of Nigerians on the long run and were advised to key into President Bola Ahmed Tinubu’s economy reform. Nigerians were also educated about the benefits of the removal of fuel subsidy in Nigeria. Beside, the gains of the removal of fuel subsidy would be expended on the provision of infrastructure as education, health, power, security development of the downstream sector, job creation and so on (Babatola et al., 2020; Erude et al., 2023a). This paper examines the removal of fuel subsidy through the prism of theory of “the greatest happiness of the greatest number”.

2.4 Reasons for the Removal of Fuel Subsidy

One of the fundamental reasons for the removal of fuel subsidy in Nigeria is corruption. For instance, the Federal Government of Nigeria allocates about 445,000 barrels of crude oil per day to NNPC which it sells to get revenue for the government (Adamolekun, 1983: Appadora, 1978). Huge portion of Nigerian National Petroleum Corporation’s withholding is pushed to fuel subsidy payment which is opened to corruption
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(Ayanruah, 2023). Also, Klynveld Peat Marwick Goerdeler (KPMG), an international Audit firm, found that in about three years, the Nigerian National Petroleum Corporation paid itself about ₦6.6 Billion (Six Billion, Six Hundred Million Naira) to subsidize 15.6 billion litres of fuel that were not available to the Nigerian markets. Besides, KPMG explained how Nigeria’s neighbouring countries like Republics of Benin and Togo are benefiting from fuel smuggling in Nigeria, for some pass years, Fuel subsidy has been two and five times the size of the federal for education and in most cases seven times higher than the budget for health in the National budget (Ayanruoh, 2023). Furthermore, the removal of fuel subsidy in Nigeria will encourage new persons into the fuel distribution in Nigeria, and discourages monopoly in the business. It will promote constructive competition which would encourage downward review of fuel pump price in Nigeria. Besides, removal of fuel subsidy in Nigeria would encourage oil marketing companies in Nigeria to import fuel at competitive prices hence, in the long run would drive down pump prices due to competition (Agboola, 2016; Mukoro, 2019; Nnadoze et al., 2023). If fuel is refined in Nigeria, oil marketing companies could buy and sell at its retail price. Again, fuel subsidy distorts market and discourages investment in Nigeria. The volume of subsidized fuel Nigerians consumed in Nigeria is lesser that the volume of subsidized fuel smuggled to the market of neighbouring countries that did not have subsidies (Ejoh & Eko, 2023). Against the backdrop of the fuel subsidy in Nigeria, the prices of fuel in Nigeria is lower than in neighbouring countries which designed an opportunity for black marketers to buy fuel cheap in Nigeria and sell it on those neighbouring countries at exorbitant prices, while Nigerians face the qualms of fuel scarcity and hyper queues at filling stations in Nigeria. Also, fuel subsidy was removed in Nigeria because it will boost the amount of cash available to Nigerians and help the common man in Nigeria meet the cost of a particular commodity or service especially fuel. In addition, fuel subsidy has been a sustainable liability to Nigeria’s budget. Subsidy regime has been a fraud designed by the elites at the detriment of the common man in Nigeria (Allen, 2004; Adamolekun, 1986; Adekoya, 2023).

2.5 Benefits of Removal of Fuel Subsidy in Nigeria
In the first place, the collapse of fuel subsidy in Nigeria will increase Nigeria’s revenue which will be channelled to the provision of infrastructure as power, road, education health services and security (Erude et al., 2023b; Gyimah, 2002). The removal of fuel subsidy in Nigeria will no doubt improve our Gross Domestic Product (GDP) growth, clamp down on fuel theft, pipelines vandalism, environmental, pollution, foreign(exchange shortages) and provision of basic benefits to the poor in the society. Secondly, the removal of fuel subsidy in Nigeria will promote competition among major players in the oil sector and this will force down prices of fuel against the upward that had caused issues in Nigeria (Okereka, 2023; Nnadoze et al., 2023). Thirdly, fuel queues would vanish at pump stations nationwide and owners of fuel stations would stop to put their gates under lock and key. Fourthly, the government will set fuel prices equal to the marginal cost of production. Fifthly, the gains of the removal of the subsidy would be used to reconstruct the failed refineries in Nigeria. Sixthly, the Removal of fuel subsidy in Nigeria will make a flexible and single foreign exchange. All Nigerians will be able to have access to foreign exchange and NNPC would stop to be the sole importer of fuel (Agiri & Morka, 2002; Laski, 1978). Finally, the removal of fuel subsidy will promote massive investments in the mid and downstream sectors of the economy that hitherto have been locked out due to subsidy regime. The sector would produce jobs for Nigerians.

3.0 Methodology of the Study
This study adopted the historical design. Historical design is the objective systematic and qualitative analysis of data collected from secondary sources for the purpose of understanding the present and predicting the future occurrence of phenomenon. We gathered relevant secondary materials from different sources intardem with the topic of the study and reading through their pages with a view to making observations and drawing out relevant information relating to topic of study. The data used in this study were generated from secondary sources. Secondary data are sourced from existing materials such as textbooks, journal, library materials, official government documents, publication internet, newspapers, and magazines among others.
4.0 Conclusions and Recommendations
This study concludes that corruption has rubbished fuel subsidy in Nigeria. That subsidized fuel in Nigeria were diverted and smuggled to Nigeria’s neighbouring countries where it is sold at market prices, while Nigerians face fuel scarcity. Also, the Federal Government of Nigeria designed fuel subsidy to help the poor masses meet the cost of fuel consumption and that the removal of fuel subsidy in Nigeria will promote social economy development in Nigeria. Authors suggested that government officials and private participants in the petroleum industry found guilty of corruption in fuel subsidy in Nigeria after trial in competent court should be imprisoned to serve as a deterrent to others and the convicts should be compelled to return their loots to the government. New entrants into the fuel market should be encouraged to enhance competition thus phasing out monopoly, which would lead to a downward review of fuel price. The profits of the subsidy removal should be channeled to the Federal Account Allocations Committee with a view sharing it among the three layers of government to reduce the effect of the removal of fuel subsidy on the poor masses. The gains of fuel subsidy removal in Nigeria should be ploughed back into massive infrastructural development in Nigeria.

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