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IMPACT OF FUEL SUBSIDY REMOVAL ON THE PERFORMANCE OF SMALL AND MEDIUM SCALE BUSINESS ENTERPRISES IN JIGAWA STATE, NIGERIA.

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Abstract

This study examined the impact of fuel subsidy removal on the performance of small and medium scale business enterprises in Jigawa State, the aim is to identify the challenges faced by the small and medium scale businesses and to investigate if fuel subsidy removal in any way enhance a growth on small and medium scale business enterprises in the whole three senatorial zones of the State. The survey design was adopted using self-developed questionnaire, the owners and operators of small and medium scale businesses from the three senatorial zones were served as the subjects for the study and the data collected had been subjected to analysis using Chi-square (X^2) in testing the three hypotheses. It was found out that there is a significant relationship between fuel subsidy removal and the performance of small and medium scale business enterprises in the study area which is negative and having a detrimental side effect on the owners of these businesses and the household standard of living in general in terms of low patronage, high transportations cost and unaffordable power supply. It was suggested that Government should provide palliatives and other economic relief programs to cushion the adverse effect on individuals and businesses this will keep the economy functioning during this challenging time by the average citizens.

Key words:- Impact, fuel subsidy removal, performance, small and medium scale business enterprises in Jigawa State, Nigeria.

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Introduction

The problem of this study is the Impact of fuel subsidy removal Policy on the performance and Economic Development of Small and Medium Scale Business Enterprises in Jigawa State, Nigeria. The small and medium scale enterprises have tendency to improve the economy of any nation through job creation and increase flow of finance to the economy calls for policy formulation and implementation that will enhance its growth and performance. However, the recent removal of fuel subsidy by the Nigerian government has relegated SMEs to a characterization of what is describe as declining glory of the sector. This is evident in SMEs performance, growth and operation, especially in rural and some urban areas of Jigawa State. Government accept the small and medium business enterprises as the engine of growth and development and also the creator of wealth, while the government's major responsibility is to provide the enabling environment for these businesses to operate. Within the past few years following the end of military dictatorship, Nigerian government has progressively introduced a number of incentives designed to promote investment on both small and medium scale businesses. The fuel subsidy removal policy can be made better through adopting a reward system for small and medium business enterprises so that it won't become a journey from fuel subsidy removal to non-performance. One cannot emphasize well enough the need for government in Nigeria to improve on needed social and physical infrastructure to have fuel subsidy removal policy more effective in the development and performance of small and medium business enterprises. There were analyzed results of research on the impact of fuel subsidy removal on the economic development of businesses were studied and data presented indifferent publication. The parameters and trends determined were compared to published data of foreign investigators and based on analysis of the state and perspectives of Jigawa State's economic development of small and medium scale businesses.

Problem Statement/Justification

The withdrawn of fuel subsidy on 29th. May, 2023 by the president on a radio broadcast addressing the nation, led to a 150 per cent to 200 per cent increase in fuel costs (N500 – N700) across the country. Small and medium-sized enterprises in Jigawa State are facing difficulties in accessing affordable power, higher transportation cost for the ease running of their day to day business activities. The study further to identify the peculiar problems or challenges facing these businesses as a result of fuel subsidy removal in the state, that is to say operators of small and medium scale businesses have zero tolerance in both the operations and maintenance of their businesses.

Objectives of the Study

i. To examine the impact of fuel subsidy removal policy on the performance of small and medium scale business enterprises in Jigawa State.
ii. To identify the challenges faced by small and medium scale businesses as a result of fuel subsidy removal policy in Jigawa State.
iii. To investigate if in any way fuel subsidy removal policy enhanced the growth and performance (a way forward) of small and medium scale businesses in Jigawa State.

Research Questions

i. Do the fuel subsidy removal policy having any impact on the performance of small and medium scale business enterprises in Jigawa State?

ii. What are those challenges faced by small and medium scale businesses as a result of fuel subsidy removal policy in Jigawa State?
iii. To what extent do the fuel subsidy removal policy enhanced the growth and performance of small and medium scale businesses in Jigawa State?

Hypotheses

Based on the nature of the research topic, the following null hypotheses are generated for testing at probability level of 0.05 level of significance.

HO_1 There is no significant difference between fuel subsidy removal and the performance of small and medium scale business enterprises in Jigawa State in terms of low patronage.

HO_2 There is no significant effect between fuel subsidy removal and the performance of small and medium scale business enterprises in Jigawa State in terms of access to affordable power.

HO_3 There is no significant difference between fuel subsidy removal and the performance of small and medium scale business enterprises in Jigawa State in terms of higher transportation costs.

Literature Review

Small and medium scale enterprises were considered an all-time necessity at the beginning; which has gained prominence today and is expected to increase its importance in the future (Basil, 2005). According to Jamodu (2000), small and medium scale enterprises is defined in the basis of employment, micro/cottage industries (1-10 workers) small scale enterprise (11-100 workers) medium scale enterprises (101-300 workers) and large scale enterprises with (301 and above).Fuel subsidy is a government discount on the market price of fossil fuel to make consumers pay less than the prevailing market price of fuel (Ovaga & Okechukwu, 2022). The removal of fuel subsidies has contributed to inflationary pressures, making the overall economic landscape more challenging for the average citizen. Inflation erodes the purchasing power of consumers, making it harder for individuals and families to meet their basic needs. This situation becomes more pronounced for vulnerable populations, amplifying existing socioeconomic disparities. Another positive microeconomic implication of the removal of fuel subsidy is that it could lead to the reinvigoration of the domestic refineries. Nigeria's domestic refineries have been in a bad state since the fuel subsidy regime started (Okongwu and Imoisi, 2022). Proponents of subsidy removal argue that it could lead to a more efficient allocation of resources, allowing the government to redirect funds to critical sectors such as healthcare, education, and infrastructure. If managed judiciously, these redirected funds could potentially create long-term benefits for the masses by improving public services and fostering economic growth. The removal of fuel subsidy will lead to job loss in the informal sector that rely mostly on PMS or petrol (Houeland, 2022). The formal sector uses mostly diesel for their activities while the informal sector relies mostly on petrol. The rise in petrol prices would lead to the shutdown of small businesses that cannot afford the rising cost of petrol and whose profit margins have been completely eroded by fuel subsidy removal in the formal sector The negative microeconomic implication of the removal of fuel subsidy is that it could lead to protests and social unrest (Houeland, 2020). Another negative macroeconomic implication of the removal of fuel subsidy is that the inflation rate would increase (Mohammed, Ahmed and Adedeji, 2020). One negative macroeconomic implication of the removal of fuel subsidy is that the rate of economic growth could decrease (Houeland,

2020). The fuel subsidy removal would lead to increase in price of essential goods and services. As a result, there would be less disposable income in the hands of individuals and small businesses due to rising prices, stagnant wages, and a fixed national minimum wage. This will lead to a reduction in consumption expenditure and would act as a drag on aggregate demand. The reduction in consumption would translate to weak consumer demand for the goods and services produced by firms. This, in turn, could decrease economic output and gross domestic product, and slow the rate of economic growth and performance of small and medium scale businesses. Transportation is the lifeblood of Nigeria's economic activities, and the majority of citizens heavily rely on it for their daily commutes. As fuel prices increase, the cost of transportation follows suit, resulting in a spike in the prices of essential goods. This ripple effect is especially challenging for low-income earners who allocate a significant portion of their income to basic necessities. A negative microeconomic implication of the removal of fuel subsidy is that it will increase poverty in the short term (Raji, 2018). It will lead to immediate pain and hunger for families.

Methodology

This study will adopt survey design to meet its purposes. The survey design is considered appropriate because it has the advantage of effectiveness in obtaining information about personal perceptions, belief, feelings, motivations, anticipation and future plans as well as past behaviuor. The survey will be on self-developed questionnaire. The three senatorial zones will serve as the study area. One urban and one rural area from each senatorial zone would be used as the site for the study. The owners and operators of small and medium scale businesses from the three senatorial zones will also serve as the subjects for the study. The data to be generated from this study would be subjected to analysis using Chi-square (X^2) in testing the three hypothesis of the study.

Population

The target populations of this study are the 2370 small and medium scale business enterprises in Jigawa State as given by National Bureau of Statistics 2017.

Sampling and Sampling Technique

The sampling technique to be used for this study is a multi-stage cluster sampling. At the first stage, three (3) local governments out of the twenty seven (27) would be selected through hat and draw procedure. At the second stage, one (1) urban area and one (1) rural area from the selected local governments (total 3 X 2 =6) communities) would be selected also through hat and draw procedure while at the third stage, the sampled subjects would be selected using table or random numbers procedure.

Sample Size Determination

Sample and sampling procedure is another element in methodology (Wilkinson, 1991). The adequacy of sample size was determined by referring, firstly, to sample size proposed by Krejcie and Morgan (1970), and then supported by Cohen's and G*Power analysis program (Faul, Erdfelderm, Lang & Buchner, 2007). Forza (2003) has stated that determining sample size is a complex issue which is linked to the significance level and the statistical power of the test, and also to size of the researched relationship (for example, association, strength or amount of difference). Normally quantitative research does not always mean involving very big samples. Even though the larger the sample size, other things being equal, the smaller the error and the greater the reliability or precision of the results (Cohen, 1988). A multi-stage

cluster sampling would be used to select both research area and the sample of the study. Cluster sampling according to Gay, Mills & Airasian (2009), is a sampling in which group not individuals are selected, they can be communities, states, schools, districts and so on. According to Krejcie and Morgan (1970), a population of 2370 or thereabout requires a sample size of at least 330 respondents. Considering the number of SMEs' in the state as given by National Bereau of Statistics 2017 amounted to 2370, the sample size of the study would be 330 which could be drawn from the three (3) sampled local governments in the state. The key reason for being concerned with sampling is that of external validity – the extent to which results may be generated to other situations with other people (Shavelson, 1998),

Sampling process		
Local Govt/Senetorial Districts	Urban and Rural Areas	Number of Respondents
Hadejia (North-East)	Hadejia (Urban) Baturiya (Rural)	55 55
Kazaure (North-West)	Kazaure (Urban) Bosuwa (Rural)	55 55
Dutse (North-Central)	Dutse (Urban) Fagam (Rural)	55 55
Total 3 LGA/Sen. Districts	6 Communities	330

FINDINGS AND DISCUSSIONS

Research question one: Does fuel subsidy removal policy has any impact on the performance of small and medium scale business enterprises in terms of low patronage in Jigawa State?

To answer this research question the responses of the respondents were computed into table and percentages. The summary of responses is presented as follows.

Options	**Respondents**	**Percentage**
Yes	198	60%
No	132	40%
Total	330	100%

From table 1 above, it could be deduced that 198 of the respondents representing 60% agreed that, fuel subsidy removal impacted performance of small and medium scale business enterprises in terms of low patronage. While132 representing 40% said no.

Research question two: Does fuel subsidy removal policy has any challenge on the performance of small and medium scale businesses in Jigawa State?

To respond to this research question, the researchers computed the responses of the respondents under yes and no, and table 2 shows the summary of the respondents and their percentages.

Options	**Respondents**	**Percentage**
Yes	245	74%
No	85	26%
Total	330	100%

From table 2 above, 245 respondents representing 74% are of the opinion that there is a serious challenge on the performance of small and medium scale businesses in Jigawa State as a result of fuel subsidy removal. While 85 respondents representing 26% said there are no challenges

Research question three: To some extent fuel subsidy removal policy enhanced the growth and performance of small and medium scale businesses in Jigawa State?

Options	**Respondents**	**Percentage**
Yes	39	12%
No	291	88%
Total	330	100%

From table 3 above, the number of respondents that agreed that fuel subsidy removal policy enhanced the growth and performance of small and medium scale businesses in Jigawa State are 39 which represent 12%, while 291 representing 88% said no.

TEST OF HYPOTHESES

Chi-square (X^2) is used in testing the three hypotheses of the study. According to E.C. Osuala (1982), Greek letter X^2 is frequently used in testing a hypothesis concerning the difference between set of observed frequencies of a sample and a corresponding set of expected or theoretical frequencies, chi-square is computed as follows.

Where, o = observed frequency
E= expected frequency

HYPOTHESIS ONE:

Ho_1: There is no significant difference between fuel subsidy removal and the performance of small and medium scale business enterprises in Jigawa State in terms of low patronage.

Table I: frequencies observed

Options	**There is a significant difference between fuel subsidy removal and the performance of small and medium scale business enterprises in Jigawa State in terms of low patronage.**	**There is no significant difference between fuel subsidy removal and the performance of small and medium scale business enterprises in Jigawa State in terms of low patronage.**	**Total**
Yes	198	132	330
No	132	198	330
Total	330	330	660

Table 2: frequencies observed.

Observed frequencies	**Expected frequencies**
198	$330^x330/660=165$
132	$330^x330/660=165$

Tables 3: computation of the value of x^2

Option	**O**	**E**	**O-E**	**$(0-E)^2$**	**$(0-E)^2/E$**
Yes	198	165	33	1089	6.6
No	132	165	-33	1089	6.6
Total	330	330	0		13.2

Analysis from table 3 shows that calculated x^2 value is 6.6, while the critical or table value is 3.84 under 1 degree of freedom at 0.05 significant levels. Since the table value is less than the calculated value, hence the null hypothesis is rejected and the alternative hypothesis is accepted that there is a significant difference between fuel subsidy removal and the performance of small and medium scale business enterprises in Jigawa State in terms of low patronage

HYPOTHESIS TWO:

Ho_2: There is no significant effect between fuel subsidy removal and the performance of small and medium scale business enterprises in Jigawa State in terms of access to affordable power.

Table I: frequencies observed. .

Options	**There is a significant effect between fuel subsidy removal and the performance of small and medium scale business enterprises in Jigawa State in terms of access to affordable power.**	**There is no significant effect between fuel subsidy removal and the performance of small and medium scale business enterprises in Jigawa State in terms of access to affordable power.**	**Total**
Yes	245	85	330
No	85	245	330
Total	330	330	660

Table 2: Frequencies Observed.

Observed frequencies	**Expected frequencies**
245	$330^x330/660=165$
85	$330^x330/660=165$

Tables 3: computation of the value of x^2

Option	**O**	**E**	**O-E**	**$(0-E)^2$**	**$(0-E)^2/E$**
Yes	245	165	80	6400	38.79
No	85	165	-85	6400	38.79
Total	330	330	0		77.58

Analysis from table 3 shows that calculated value is 77.58, while the critical or table value is 3.84 under 1 degree of freedom at 0.05 significant levels. Since the table value is less than the calculated value the decision is to reject the null hypothesis, and conclude that there is a significant effect between fuel subsidy removal and the performance of small and medium scale business enterprises in Jigawa State in terms of access to affordable power.

HYPOTHESIS THREE:

Ho_3: There is no significant difference between fuel subsidy removal and the performance of small and medium scale business enterprises in Jigawa State in terms of higher transportation costs.

Table I: Frequencies Observed

Options	**There is a significant difference between fuel subsidy removal and the performance of small and medium scale business enterprises in Jigawa State in terms of higher transportation costs.**	**There is no significant difference between fuel subsidy removal and the performance of small and medium scale business enterprises in Jigawa State in terms of higher transportation costs.**	**Total**
Yes	291	39	330
No	39	291	330
Total	330	330	660

Table 2: frequencies observed.

Observed frequencies	**Expected frequencies**
291	$330^x330/660=165$
39	$330^x330/660=165$

Tables 3: computation of the value of x^2

Option	**O**	**E**	**O-E**	**$(0-E)^2$**	**$(0-E)^2/E$**
Yes	291	165	126	15876	96.22
No	39	165	-126	-15876	96.22
Total	330	330	0		192.44

The table 3 above shows that the calculated x^2 is 192.44, while the critical or table value is 3.84 under 1 degree of freedom at 0.05 significant levels, hence we reject the null hypothesis, that there is a significant difference between fuel subsidy removal and the performance of small and medium scale business enterprises in Jigawa State in terms of higher transportation costs.

CONCLUSION

Fuel subsidy removal is a threat to the performance of small and medium scale business enterprises due to low patronage by the customers as a result of poverty and the everyday loosing value of our local currency in the stock exchange markets, they cannot meet up their primary basic needs of life, that of their families or dependents. It exists where people are unable to make both ends meet for better livelihood. This study however, set up to establish a relationship between fuel subsidy removal and the performance of small and medium scale business enterprises in Jigawa State, Nigeria.

After a theoretical and empirical exploration of relevant literatures, the paper found that there is a significant relationship between fuel subsidy removal and the performance of small and medium scale business enterprises in the study area in terms of low patronage, high transportations cost and un affordable power supply.

Comprising the literature review and the result obtained from the study, we were able to discover that the following factors; low patronage, high transportations cost and un

affordable power supply led to the low performance and collapsed of many small and medium scale business enterprises in the study area.

Conclusively, the relationship between fuel subsidy removal and low performance of small and medium scale businesses is negative having a detrimental side effect on the owners of these businesses and the household standard of living in general.

DIRECTION FOR FUTURE RESEARCH

Based on the findings of the study, future research may be conducted using different data set. It will be interesting to test the instrument using data on other regions or states to identify the other impacts of fuel subsidy removal and the performance of small and medium scale business enterprises in the selected regions or states which this research did not identified.

RECOMMENDATIONS

With the result of this study and our findings indicating negative correlation between fuel subsidy removal and the performance of small and medium scale business enterprises in Jigawa State, the following recommendations were therefore profound;

1. There is the need from the part of the government to reverse on the fuel subsidy removal to ensure that the economy grow at a higher rate than the low performance of small and medium scale business enterprises, this will ensures that the increasing demand of goods and services arising from the high patronage is met.

2. Government should also embark on policies that will pave ways for short and long term interest free loans to small and medium scale business enterprises across the country this will indeed lead to their rapid growth and development.

3. Government should also incentivize our domestic refineries so that more petroleum products could be produced in order to reduce Nigeria's dependence on imported fuel which will consequently increase employment and the development of critical public sectors of the economy.

4. Reversal of fuel subsidies by the government should also increase consumer spending which sometimes brings an economy out of a recession or depression. Consumers can live better and afford their rents and other utilities this will keep the economy functioning during this challenging time by the average citizens.

5. Government should provide palliatives and other economic relief programs to cushion the adverse effect on individuals and businesses.

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