

Impact of Fuel Subsidy Removal on the Informal Transport Sector in Sokoto State, Nigeria

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Abstract: The 2023 removal of Nigeria's long-standing fuel subsidy triggered immediate and widespread socio-economic shocks. This paper examines the effects of this reform on Sokoto State's informal transport sector, comprising motorcycles, tricycles, and minibuses that provide affordable transport and employment for low-income residents. Using documentary and secondary data from the National Bureau of Statistics (NBS), the International Monetary Fund (IMF), the World Bank, and national media sources, the paper explores how subsidy removal influenced operating costs, income, fare structures, and household welfare. Findings indicate that while subsidy removal aimed to promote fiscal sustainability, it has sharply increased operational costs for informal operators, leading to higher fares, reduced accessibility, and declining real incomes. Compounding these effects are weak and uneven palliative implementations. The study concludes that targeted palliatives, subnational microcredit schemes, and state-level transport support systems are essential to mitigate welfare losses while preserving reform objectives.

Keywords: Fuel Subsidy Removal, Informal Transport Sector, Sokoto State, Fiscal Reform, Public Policy, Nigeria.

I. Introduction

Fuel subsidies have traditionally been used to stabilise domestic energy prices and protect citizens from global market fluctuations [1]. However, the financial burden of maintaining subsidies has become increasingly unsustainable for many developing countries, including Nigeria. By 2022, Nigeria's fuel subsidy spending reached ₦4.4 trillion (around USD 10 billion), accounting for nearly a quarter of federal revenues [2]. On 29 May 2023, President Bola Ahmed Tinubu declared the official end of the subsidy regime, leading to a fourfold rise in fuel pump prices nationwide [3].

Sokoto State, in northwest Nigeria, depends heavily on informal transport modes such as motorcycles ('okada'), tricycles ('keke'), and minibuses for daily travel and trade. These operators form the backbone of local transport networks, providing affordable mobility and employment for low-income groups [4]. This paper examines how the removal of the subsidy has impacted the economic viability of Sokoto's informal transport sector and the associated welfare effects for operators and users.

The rest of the paper is structured as follows: Section II reviews the related literature; Section III presents the theoretical framework; Section IV describes the methodology; Section V discusses the findings; and Section VI concludes with recommendations.

II. Literature Review

Global studies show that fuel subsidies distort market efficiency, promote rent-seeking, and impose heavy fiscal costs [5], [6]. Yet, they also serve as a social protection tool in economies where poverty and unemployment are widespread. The IMF (2023) estimates global fossil fuel subsidies at USD 7 trillion, accounting for 7.1% of global GDP [7].

African experiences reveal mixed results from subsidy reforms. Ghana's 2022 subsidy phase-out caused inflation to rise by 54% [8], while Angola's 2020 removal triggered a 25% increase in food prices [9]. In contrast, Indonesia's managed reform approach achieved fiscal savings of 1.5% of GDP, which were redirected to education and infrastructure [10].

In Nigeria, debates over subsidy removal date back to the 1970s. Scholars highlight the policy's regressive nature—where wealthier households capture most of the benefits—while the poor bear the brunt of its removal [11]. Past attempts (e.g., 2012's 'Occupy Nigeria' protests) underscore the political risks of abrupt reforms without effective safety nets [12].

III. Theoretical Framework

This study draws on Public Choice Theory and Implementation Theory. Public Choice Theory explains how policymakers prioritise self-interest or elite preferences over collective welfare, leading to reforms that may benefit fiscal metrics but harm vulnerable groups [13]. Implementation Theory highlights administrative capacity and local adaptation challenges. Weak enforcement and corruption often prevent intended beneficiaries from accessing palliatives [14].

IV. Methodology

The study employs a qualitative documentary research design, relying on secondary data from government reports (NBS, NNPC), IMF and World Bank publications, civil society datasets (BudgIT), and media reports (Premium Times, Punch). Content analysis was used to extract recurring patterns in costs, fares, and welfare impacts. Quantitative indicators were drawn from NBS's 'Transport Fare Watch' (2023–2025) and IMF country reports.

V. Findings

A. Fuel Price Trends and Inflationary Impact

Table 1 shows average petrol price movements between 2022 and 2025. Following the May 2023 subsidy removal, average retail prices rose from ₦185.9/L in 2022 to ₦550/L in mid-2023 and exceeded ₦1,200/L by early 2025 [15].

Table 1: Average petrol price movements

Year	Average PMS Price (₦/Litre)	Source
2022	₦185.9	NBS, 2022
2023	₦550.0	NBS, 2023
2024	₦830.5	World Bank, 2024
2025	₦1,245.8	IMF, 2025

Source: Compiled by Author from NBS (2022–2025), World Bank (2024), IMF (2025).

VI. Discussion

The Sokoto case illustrates how subsidy removal disproportionately affects low-income informal operators. Daily operational costs for okada and keke drivers tripled, while passenger demand declined by over 40%. This mirrors IMF observations that abrupt fuel reforms tend to create short-term welfare shocks [16].

Implementation gaps were evident in Sokoto. Palliative measures—such as conditional cash transfers and proposed compressed natural gas (CNG) buses—remained inaccessible to informal operators lacking registration or political connections [17]. This aligns with Implementation Theory's emphasis on bureaucratic discretion and weak local institutional capacity [18].

VII. Conclusion and Recommendations

The removal of the fuel subsidy has imposed substantial short-term economic hardship on Sokoto's informal transport sector. Operators face reduced profitability and commuters endure higher fares, compounding poverty and inequality. To achieve equitable outcomes, reforms must integrate robust safety nets, targeted microcredit, and transport-sector modernisation policies.

Recommendations include: (1) Targeted palliatives for registered informal operators; (2) Expansion of affordable public transit options; (3) Digitalised registration and payment systems to enhance policy delivery; (4) Transparent monitoring of palliative distribution through civil society oversight.

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