

Effects of Fuel Subsidy Removal on Small and Medium Enterprises Growth and Development in Nigeria: Case of Block Making Industries

Dr. AKINOLA Emmanuel Taiwo¹, Dr. AKINTUNDE Samuel Akinrinola², Dr. AKINTUNDE-ADEYI, Julianah Funmilayo³, BADEMOSI Seyifunmi Damilola⁴, ABDUSSALAAM Lolade Bashir⁵

¹PhD in Business Administration – Entrepreneurship and Human Resource Management, Adeyemi Federal University of Education, Ondo, Ondo State, Nigeria.

²PhD in Social Studies, Department of Social Studies, Adeyemi Federal University of Education, Ondo, Ondo State, Nigeria

³PhD in Business Administration – Human Resource Management, Department of Business Administration, Bowen University, Iwo, Osun State, Nigeria.

⁴Ph.D Candidate in Religious Studies, Department of Religious Studies, Adeyemi Federal University of Education, Ondo, Ondo State, Nigeria.

⁵2015 Katalonia ln, Fresno, Texas. 77545

DOI: <https://dx.doi.org/10.47772/IJRISS.2024.806091>

Received: 10 May 2024; Revised: 27 May 2024; Accepted: 01 June 2024; Published: 06 July 2024

ABSTRACT

The paper looks into how Nigerian SMEs, particularly those in the block-making industry, have been impacted by the removal of fuel subsidies and discusses potential solutions to help them get over challenges and seize new opportunities. It specifically examines the ideas of fuel subsidies, small and medium-sized businesses, and the block-making sector; assesses the financial effects of eliminating fuel subsidies on SMEs, especially those in the block-making sector; and finds potential remedies to the severe financial effects on SMEs, especially those in the block-making sector. The study adopted exploratory and qualitative research methods to determine the deeper understanding of the subject and influence of the removal of fuel subsidy on the growth and development of SMEs in Nigeria, which in turn showed the motivating factors behind the reactions of the entrepreneurs in the block-making industries and how it negatively affected their operations and economic activities of the industries.

According to the investigation, the removal of fuel subsidies crippled SMEs, particularly those in the block-making industry, even though they had the greatest impact on the country's GDP. This led to increased operating costs, inflation, and unemployment, and it also encouraged corruption in Nigeria. Therefore, the study suggests, among other things, that it is wise for governments at all levels to consider their citizens' requests for hardship relief. Furthermore, in order to mitigate these effects on SMEs, the government need to suggest measures that would mitigate the adverse effects of doing away with subsidies. The government must act immediately to assuage these concerns and mitigate any possible harm that rising fuel prices may cause.

Keywords: Fuel Subsidy, Small and Medium Enterprises, Block Making Industries, Economic Development

INTRODUCTION

Nigeria's economic position has improved recently, beyond the capacity of the unorganized sector to survive. Due to the Federal Government of Nigeria's unique policy and instruction about the termination of fuel subsidies in May 2023, the majority of aspirant Small and Medium Enterprises were forced to close, and some are now in debt (Punch, 2023).

Nigeria, being a developing nation, has always struggled with the intricacies of legislation pertaining to petrol subsidies. In order to lessen the impact of growing fuel costs on individuals and companies—especially the Small and Medium Enterprises (SMEs) that are the backbone of Nigeria's economy—fuel subsidies have been put in place. But eliminating fuel subsidies has been a divisive topic that frequently has socioeconomic repercussions. Examining how the elimination of petrol subsidies would affect Nigeria's small and medium-sized businesses is the goal of this article (Anwanakak, 2023)

Asadu (2023), provided support for the Nigerian Association of Chambers of Commerce, Industry, Mines and Agriculture (NACCIMA)'s argument that the Federal Government's intended elimination of the Premium Motor Spirit (PMS), or petrol, subsidy before the complete elimination of the petroleum subsidy, would have the effect of closing down businesses, particularly Small and Medium Scale (SME) ones.

The foundation of Nigeria's economy, small and medium-sized firms (SMEs) play a major role in innovation, job creation, and economic growth. SMEs, however, frequently lead the way in the ensuing adjustments when subsidy removal measures are implemented (Akinola, *et al.*, 2023)

OBJECTIVES OF THE STUDY

This study's main objective is to investigate how the withdrawal of fuel subsidies has affected Nigerian SMEs and to talk about how they might overcome obstacles and take advantage of new possibilities. It specifically aims to accomplish the following objectives:

1. study the ideas of fuel subsidy, small and medium-sized enterprises, and the block-making sector;
2. evaluate the financial impact of fuel subsidy elimination on SME's, particularly the block-making sectors; and,
3. identify potential countermeasures to the harsh financial consequences on SME's, particularly the block-making sectors.

CONCEPTUAL REVIEW

Fuel Subsidy

Fuel subsidies are provided by the government at a discount to the market price of fossil fuels, so enabling customers to pay less than the current fuel prices (Ovaga & Okechukwu, 2022). Customers would pay less per liter of the petroleum product when subsidies are in effect. Fuel subsidies are a topic of discussion across the world due to their large volume, impact on the welfare of residents, and ability to support a country's budget.

According to Ozili & Obiora (2023), the International Energy Agency estimates that the worldwide fossil fuel subsidy is expected to reach \$1 trillion in 2022, up from \$325 billion in 2018.

This sum is greater than the total government revenue of poor nations and substantially more than the expected \$204 billion in value of worldwide aid in 2022. This has prompted proposals for the elimination of

the worldwide fossil fuel subsidy in order to redirect the saved money toward helping the underprivileged and defenseless who require aid in developing nations (Couharde & Mouhoud, 2020; Ozili & Ozen, 2021). The idea that the fossil fuel subsidy is a sort of help since it lowers the cost of petrol for the underprivileged makes the elimination of the subsidy controversial.

Notwithstanding this persuasive argument, a substantial body of research outlines the detrimental effects of fuel subsidies, such as rising air pollution and greenhouse gas emissions (Sweeney, 2020), traffic jams and early deaths (McCulloch, *et al.*, 2021), lost tax revenue (Sweeney, 2020), and a rise in wealth disparity (McCulloch, *et al.*, 2021). Politicians in many nations, however, are hesitant to eliminate fuel subsidies and enact reforms related to them because doing so might result in a sharp rise in the price of fuel or electricity, which would be difficult for low-income and impoverished citizens to afford. It might also spark widespread unrest and raise the possibility of a revolution or the overthrow of the current government.

Fuel subsidies were initially implemented in Nigeria in the 1970s in reaction to the 1973 oil price shock, claim Ozili & Obiora (2023). In 1986, fuel subsidies were taken away in part. The petrol subsidies have been in effect ever since. The government unexpectedly stopped providing fuel subsidies in 2012. Massive protests followed the withdrawal, with the goal of forcing the government to bring back the fuel subsidy that it had cut.

In response to the widespread demonstrations, the government later restored fuel subsidies in 2012. Nigeria's fuel subsidy payments have increased dramatically since then. Fuel subsidies totaled ₦4 trillion (US\$6.088 billion) in 2022, or 23 percent of the ₦17.126 trillion (US\$25.87 billion) government budget for that year. Nigeria was thus unable to continue providing fuel subsidies in 2023, and the government declared that fuel subsidies will end in June of that year. Recent research in Nigerian literature demonstrates that fuel subsidies have conflicting effects. While some studies point out the advantages of fuel subsidies and urge more openness in their management, others draw attention to their drawbacks and push for their elimination. For instance, Omitogun *et al.*'s (2021) research suggests that eliminating fuel subsidies might lower carbon emissions in the Nigerian economy. Similarly, Adekunle & Oseni (2021) contend that even though it would result in increased energy prices, the removal of fuel subsidies might slow the development in carbon emissions through channels with low energy use. According to Asare, Reguant, Saab & Sacchetto (2020), the government should remove fuel subsidies because the money it would receive from doing so would allow it to respond to the COVID-19 crisis immediately and redirect funds toward more productive spending for long-term post-COVID recovery and resilience (Ozili & Arun, 2023).

Additional research emphasizes the impact of eliminating fuel subsidies. Despite the introduction of fuel subsidies, Umeji & Eleanya (2021) contend that Nigeria's oil wealth has not resulted in an improved standard of living. They also contend that the removal of fuel subsidies could have serious repercussions, which could be lessened by government transparency regarding the use of the money saved by doing so for infrastructure development.

Additionally, Ovaga & Okechukwu (2022), contend that fuel subsidies encourage corruption in Nigeria because a corrupt minority has been interfering with the operation of already-existing refineries and undermining efforts to construct new refineries in the country in order to maintain fuel importation and preserve fuel subsidies for their own selfish ends. According to Omotosho (2020), the elimination of fuel subsidies may increase macroeconomic instability by driving up energy costs and inflation in Nigeria. Moreover, McCulloch, *et al.*'s (2021) research demonstrates that a significant portion of Nigerians are against the elimination or reform of fuel subsidies due to their perception that the government is dishonest and incapable of implementing transparent changes.

The impact of the recent fuel withdrawal in Nigeria in 2023 is either little discussed or not mentioned at all in the literature, despite these facts. There was debate concerning the impact of eliminating the fuel subsidy

on the Nigerian people and economy because it was done so without first offering some palliatives. Consequently, it's important to recognize and comprehend the macroeconomic ramifications (Ozili & Obiora, 2023).

Small and Medium Enterprises

SMEs are defined as small and medium-sized firms, or businesses whose people and revenue figures fall below particular restrictions, per SMEDAN (2023) and Wikipedia (2023). SMEs can employ many more people and outnumber large enterprises by a significant margin in any given national economy.

The Nigerian SMEs' significance

Nigeria's economy relies heavily on small and medium-sized enterprises (SMEs), which play a vital role in generating jobs, fostering economic expansion, and reducing poverty. These businesses supply both urban and rural populations with necessary goods and services by operating in a variety of industries, including as manufacturing, retail, services, and agriculture (SMEDAN, 2023).

Block Industry

A block industry, according to Buchi (2023), is a facility designed to mold blocks in different sizes in vast quantities. and thereafter selling to homeowners or contractors managing various types of construction projects. Blocks of cement can be hollow or solid. But in Nigeria, hollow blocks are the most often utilized and well-liked material for building homes.

The business uses a variety of sands, including water, stone dust, granite, cement, and sharp sand. On the other hand, labor is a significant component that propels the manufacture of different kinds of blocks that are helpful for construction projects. The sector cannot operate without human resources. Taking into account Nigeria's elimination of fuel subsidies, It has an impact on every resource needed to keep the block industry running.

SMEs' Obstacles in Nigeria's Fuel Subsidy Removal

Punch (2023), confirmed that because fuel subsidies put such a heavy burden on the nation's economy, the Nigerian government has struggled with their elimination on a regular basis. Discussions on the reduction or abolition of subsidies have become necessary due to economic concerns in recent years. Subsidies can be eliminated to relieve the budget, but doing so also has a number of negative economic effects, particularly for SMEs.

Every government action or policy has repercussions, according to Akinola *et al.* (2023), Asadu (2023), and Punch (2023), which has immobilized several expanding and intended SMEs in Nigeria. The primary issue is the block-making industry, whose local businesses are severely impacted by the elimination of fuel subsidies. The elimination of fuel subsidies has generally been seen to present some issues for SMEs, particularly in the block producing business. These challenges include:

1. **Increased Operating Costs:** SMEs are directly impacted by increased transportation costs as a result of the withdrawal of fuel subsidies. Increased costs for moving resources and commodities are a direct effect of rising fuel prices, which have an impact on pricing and profit margins.
2. **Inflationary Pressure:** An increase in transportation expenses frequently triggers a more general inflationary tendency. The cost of living rises in tandem with rising petrol prices, reducing consumers' purchasing power. Reduced demand for SMEs' goods and services might have an impact on total sales.
3. **Disruptions to the Supply Chain:** SMEs mostly depend on supply networks to obtain raw materials

and deliver completed goods. Variations in fuel prices can cause supply chain disruptions, which can result in delays, increased logistical costs, and challenges satisfying consumer needs.

4. **Competition from Large Corporations:** Since SMEs already have thin profit margins, they must contend with fierce competition from larger companies who have greater capacity to absorb rising fuel prices. For SMEs, this rivalry may result in a loss of market share and little prospects for expansion.
5. **Effect on Employment:** Some SMEs may be forced to reduce staff or postpone plans for expansion due to the financial difficulties brought on by the elimination of fuel subsidies. As a result, there may be a rise in unemployment and job losses nationwide.
5. **Difficulties with productivity and production:** When subsidies for diesel oil and premium motor spirit are eliminated, small and medium-sized businesses (SMEs) that depend on these petroleum products and electricity would be severely impacted. The cost of fuel and diesel, as well as higher power rates, have increased manufacturing expenses and reduced productivity. To lessen the effects of rising power bills, SMEs can look at energy-efficient options like energy management techniques or renewable energy sources.
6. **Volatility of the market:** Market instability is introduced by the elimination of subsidies, especially in industries that are immediately impacted by the shift. SMEs in these industries might find it challenging to plan ahead and deal with volatility. Businesses need to be flexible in order to handle shifting market conditions, which means they must assess supply chains, change their pricing strategies, and diversify their offers.

Studies have revealed that, generally speaking, the Nigerian government's strategy has major ramifications for both the affected industries and the impoverished Nigerian population. Anwanakak (2023), described the policy's consequences in detail as they relate to Nigeria from an economic, social, and political perspective.

Nigeria's Fuel Subsidy Removal's Economic Repercussions

1. Sustainability of Finances

Fuel subsidies have placed a heavy financial strain on the Nigerian government, taking funds away from other vital areas like infrastructure, healthcare, and education. The government might use this money for development projects and other necessities if the subsidy were eliminated, which may enhance the outlook for the economy as a whole (Ozili & Obiora, 2023).

2. Financial Management

Because fuel subsidies are impacted by changes in the price of oil globally, they can cause fiscal uncertainty. The Nigerian government would be able to better manage its budget and lower fiscal deficits by doing away with the subsidy, which will boost investor confidence and economic stability (Asadu, 2023).

3. Promoting Market Efficiency

Fuel subsidies stifle private sector involvement in the petroleum sector and skew the laws of market forces. In the downstream oil industry, eliminating subsidies can boost efficiency, attract investment, and stimulate competition, all of which can result in higher productivity and long-term economic growth (Adagunodo, 2022).

4. Economic Growth and GDP

According to Akinola (2018) and Ozili & Obiora (2023), economic growth may result from the government having more money to invest in other areas of the economy as a result of the subsidy elimination. It is vital to acknowledge that economic progress is not only contingent on the availability of funds; rather, the caliber

of spending and policies that align with it are pivotal factors. However, the elimination of fuel subsidies is generally regarded as a positive move that would provide the government at least an extra N4 trillion to spend on other economic areas.

5. Companies and Jobs

Since fuel is a key energy source for most organizations, especially small and medium enterprises (SMEs), it is anticipated that operating costs would grow in the near future. Expenses for businesses will probably increase as fuel prices rise. The government's ability to explain the reduction of subsidies will rely on how proactive remedies it implements; even so, employment rates may not be significantly affected immediately (Akinola, *et. al*, 2023).

6. Investing Opportunities

It is anticipated that the oil and gas sector would draw in more investors as a result of the elimination of fuel subsidies and the use of market forces, that is, supply and demand to determine pricing. This might eventually result in the construction of more conventional and modular refineries. Companies will put more money into creating fuel-efficient systems and other alternative power sources, which will make them more competitive in the market (Akinola, *et. al*, 2023 and Ozili & Obiora, 2023).

7. A rise in inflation

Pump fuel prices and the cost of goods and services are positively correlated in Nigeria, meaning that rising fuel prices would raise the cost of products and services. The withdrawal of petrol price subsidies may initially cause inflation to rise as a reasonable economic response (Anwanaka, 2023).

8. Social Services

Although the elimination of fuel subsidies is a positive development, a large portion of the population, especially the lower classes, are negatively impacted. With the average pump price of N500 per litre, 60 liters of petrol cannot be purchased with the present minimum salary of N30,000. This is not enough for a nation that generates a lot of its power from fuel. Citizens' purchasing power has been reduced by the higher price of petrol, especially for those from lower socioeconomic classes. The inhabitants of the middle class may also be forced into the lower class if the government does not take adequate action. Economic stagnation and a decline in GDP would follow this change. Regretfully, the government has not unveiled any practical plans or strategies to support the residents of lower economic classes in their efforts to recover financially (Asadu, 2023 and Buchi, 2023)..

Fuel Subsidy Removal's Social Consequences in Nigeria

According to Ozili & Obiora (2023), enlightenment is necessary to raise public awareness of the socioeconomic ramifications of eliminating fuel subsidies in Nigeria. This will facilitate better comprehension; some implications are as follows:

1. Distribution of Income

Higher income groups gain disproportionately from fuel subsidies since they use more petrol. Since the elimination of the subsidy, petrol costs have increased by at least 150% (though they are predicted to gradually decline over time due to market activity). This rise in the cost of living has undoubtedly had a disproportionate impact on lower-income households. In order to lessen this, the government should think about putting in place tailored social safety nets to shield disadvantaged groups from the short-term

consequences of the elimination of subsidies.

2. Safety Nets for Social Welfare

The average price of fuel has risen by 150% since the elimination of fuel subsidies, which has led to an increase in costs for essential food items and transportation across. Although the elimination of fuel subsidies is viewed as a positive move, the government has not put in place any safety net programmes to lessen the negative effects of this policy on the general public. In order to assist reduce transportation expenses at this time, former President Goodluck Jonathan suggested in 2012 a comprehensive mass transit development programme in addition to the reduction of subsidies. The implementation of such a cushioning programme would assist in mitigating this policy's immediate consequences.

3. Services and Infrastructure for the Public

Public infrastructure, like Lagos' BRT system, is under more stress as a result of the rise in petrol prices. Owing to the elevated expenses of petrol, a portion of the population has chosen to utilize public transit, resulting in elevated demand and extended wait times. The general well-being and productivity of the populace have suffered as a result. And as a result, the block-making businesses in Nigeria have suffered as the bulk of business owners could not afford to pay their employees, and the high cost of materials and transportation raises concerns about the industry's ability to survive.

4. Social Change

Nigeria has seen economic difficulties recently, with worries of the middle class dwindling and the population shifting into the lower economic strata developing. The bulk of the population's economic power is predicted to be further impacted by the elimination of fuel subsidies, which might, in the short term, lead to a bigger percentage of downward social mobility than upward social mobility. To lessen these impacts, the government should implement measures that address the detrimental effects of eliminating subsidies.

5. Financial Possibilities

The elimination of fuel subsidies has significantly raised the cost of conducting business in the nation, driving up the cost of transportation and the cost of products and services. But there aren't enough incentives in the economy for companies to raise their profits and revenues to keep up with these growing expenses. The current exponential surge in expenses may provide hurdles for aspiring entrepreneurs trying to launch new ventures. As a result, this policy now has a detrimental effect on economic chances.

Nigeria's Political Repercussions of Eliminating Fuel Subsidies

1. Accountability and Governance

Fuel subsidies and the amount of petrol they really pay for have long been linked to a lack of transparency in the payments made for them. The elimination presents a chance to increase openness in precisely measuring fuel use. Because there are no subsidies, there is less motivation for data fabrication, which improves accuracy. Furthermore, this elimination may promote increased openness in the NNPC's petrol trade. The elimination of fuel subsidies has resulted in these gains in accountability and governance (Akinola *et al.*, 2023).

2. Public View and Belief

Fuel use and NNPC operations are now more transparent thanks to the elimination of fuel subsidies. The

public has mostly accepted this approach in spite of the challenges it has presented. The policy has been well received, in part because of the enhanced openness and the sense that corruption and economic barriers are being addressed (Ozili & Obiora, 2023).

3. Political Heritage

The present administration's resolve to removing obstacles to economic growth and combating corruption is demonstrated by its decision to eliminate the fuel subsidy. The public's goodwill has resulted from this action, increasing their openness to the administration's future plans. By demonstrating a daring and aggressive response to economic difficulties, the removal can have a favorable political impact (Punch, 2023)..

4. Stability in politics

The present government's quick decision to remove fuel subsidies has made it abundantly evident to people across the nation that they are committed to enacting their stated goal. According to Ozili & Obiora (2023), this resolute move fosters political stability and gives the current administration more space to carry out its policies.

Theoretical Review

Business Process Re-engineering Theory

Michael Hammer developed the notion in 1990 and utilized it to push resource managers to go outside the box and search for more economically beneficial procedures that require appropriate sensitization, rather than continuing with antiquated methods. Michael Hammer made this presentation during his 1990 Harvard Business Review class. Through the radical redesign of business processes through the use of current information technology, he made it possible to "re-engineer" organizations and the resources of nations in order to achieve dramatically improved performance. According to the notion, business process re-engineering is distinct from other change programmes like process or quality improvement since the planned change is radical and comprehensive.

Afterwards, Michael Hammer and James Champy defined re-engineering as "the fundamental rethinking and radical redesign of business process to achieve dramatic improvements in critical contemporary measures of performance such as cost quality, service, and speed" in their 1993 book "Re-engineering the Corporation". An overview of the foundations, development, and significance of business re-engineering are given in this entry.

The aforementioned theory provides justification for the drastic measures taken by the Federal Government of Nigeria to stop the leakage of the nation's resources and revenues and to diversify them in order to increase business earnings for the development of the nation's infrastructure as well as social and welfare services. There have been arguments made that the idea is insensitive to small and startup companies, and that the dramatic re-engineering process fails to take the needs of these enterprises into account.

This idea was chosen because it places an emphasis on doing things better and differently than the outdated and ineffective way. Even though the process may be difficult, Nigerian businesses will profit in the long run, and the populace will be better prepared for more sustainable settings. The restructure subsidy removal brought into investment processes, especially on the small scale businesses, such as blocking making industries shows that ideas are not aliens to marching up with business focus. This theory as well with its linkage to the methodologies adopted for the study, shows that the Federal Government of Nigeria policy on the removal of fuel subsidy has affected the growth and the development of SMEs, especially the block-

making industries but will provide new openings such as ideas, business restructuring and economic values into the industries with the expected plans of the Government's policy on the subsidy removal.

Empirical Review

Ozili & Obiora (2023), looked at how the Nigerian economy might be affected by the elimination of fuel subsidies. Discourse analysis was the approach used in this investigation. It provided some understanding of the macroeconomic and microeconomic effects of Nigeria's elimination of fuel subsidies in 2023. The removal of fuel subsidies would have the following positive effects: it would reduce government borrowing, curb corruption related to fuel subsidy payments, increase competition, revitalize domestic refineries, lessen pressure on the exchange rate, and reduce Nigeria's reliance on imported fuel. It would also increase employment, free up funds for the development of critical public infrastructure, and reduce the deficit and create a budget surplus in the near future.

The withdrawal of fuel subsidies may have the unfavorable effects of short-term slower economic development, higher inflation, poverty, and fuel smuggling, as well as higher criminality, higher petroleum product costs, and a loss of jobs in the unorganized sector. The report suggested that in order to mitigate the negative effects on people and companies, the government should thoroughly assess how the elimination of fuel subsidies will affect them and offer palliative care as well as other forms of financial assistance.

The impact of subsidy removal on SMEs in Nigeria: navigating challenges and embracing opportunities was the subject of a research done in 2023 by Asadu. The background information on the subsidy problem and its removal in Nigeria, as well as the repercussions on SMEs, including higher operating expenses, inflationary pressure, difficulties with production and productivity, and market instability, were supplied by the research. It also provided views on how to take use of the opportunities presented by the elimination of subsidies, including innovation and diversification, boosting local production, government support, and policy action. Additionally, he underlined that SMEs in Nigeria face a variety of possibilities and problems as a result of the elimination of subsidies. Even while higher expenses and more market volatility may be the immediate effects, SMEs may overcome these difficulties by streamlining key processes. Furthermore, encouraging laws and assistance from the government can foster an atmosphere that allows SMEs to prosper throughout the phase-out of subsidies. Nigerian SMEs have the capacity to sustain economic growth and make valuable contributions to the nation's overall development by embracing change and capitalizing on available possibilities.

Punch (2023), looked at Nigeria's challenges and answers for subsidy withdrawal. The paper investigated the fundamental historical context of fuel subsidies in Nigeria. He disclosed that protests and strong opposition were sparked by previous governments' attempts to eliminate the fuel subsidy. President Bola Tinubu eliminated fuel subsidies in Nigeria on the day of his swearing-in on May 29. The removal was made necessary by the nation's refineries' non-operational status, which has supported the ongoing importation of refined petroleum. It was confirmed that the importation of petroleum puts pressure on the domestic currency, whilst the subsidy only benefited the cabal and provided room for arbitrage and the smuggling of petrol to neighboring nations.

It was evident that Nigeria did not benefit from the increase in oil prices because of its poor oil output and rising fuel subsidy costs, when the nation's overall public debt approaches N80 trillion. Based on these facts, Edo State Governor Godwin Obaseki issued a warning, stating that it would take a miracle for the federal government and state governments to continue paying wages into June 2023 without having to eliminate fuel subsidies or engage in significant money printing. Nigerians, especially laborers, will suffer more as a result of either of these choices.

It came to the realization that doing away with fuel subsidies would present both possibilities and obstacles.

petrol prices all throughout the nation increased by 15% to 20% as a result of the fuel subsidy being removed (from N500 to N600). It is difficult for small and medium-sized businesses to get power at a reasonable price. The Federal Government offered N5 billion in palliative funds for each state, including the Federal Capital Territory, to lessen the impact of the termination of the fuel subsidy as a solution to address the challenges faced by Nigerians. 52 out of 48 people shared in the money. 52 percent of this amount is granted as grants to the states, while 48 percent of the N5 billion must be repaid in installments to the Central Bank of Nigeria by the nation's states and local governments within 20 months.

In an attempt to salvage the situation, a commodities market was established to guarantee the optimization of present and future investments in the economy's agro-allied sector. The administration's energy transition plan is being implemented resolutely, with the introduction of electric motorbikes and tricycles throughout the state; the conversion of state mass transit buses, including staff buses, to compressed natural gas has begun; current public transportation is being upgraded with additional new CNG buses to facilitate transportation; and other measures include charging fares equivalent to those that were obtained prior to the removal of fuel subsidies.

Seizing the Chances

According to Akinola *et al.* (2023) and Anwanaka (2023), the Nigerian government's policy on the removal of fuel subsidies, when viewed from a developmental perspective, has benefited small and medium-sized enterprises (SMEs). However, the policy's immediate implementation had a negative impact on emerging and aspiring entrepreneurs, particularly in the block making industry. In order to allow SMEs to thrive and grow for the greater growth of society, it is necessary to include mitigation concepts into the progression scale of their life. If suitable policies are implemented, some of the opportunities that should be embraced include:

1. Stimulation of local production

Eliminating subsidies can increase domestic output by lessening the threat of lower-priced imports. Nigerian SMEs now have the chance to take advantage of this and grow their market share while establishing a solid reputation as dependable suppliers of high-quality goods. Through supporting local manufacturing, SMEs may profit from the rising market for products created in Nigeria.

2. Policy action and government support

Understanding the difficulties SMEs confront, the government may be a vital resource for empowering and assisting small companies as they go through the transitional phase of subsidy elimination. SMEs may better adjust to the changing environment with the support of policies and programmes that offer financial aid, loan access, tax benefits, and business development support.

3. Diversification and innovation

The elimination of subsidies forces SMEs to innovate and diversify in order to find new methods to streamline their operations. Accepting process enhancements, product diversification, and technology innovations may help SMEs become more competitive and resilient to changes in the market.

For SMEs, Nigeria's withdrawal of subsidies offers a variety of possibilities and problems. Even while higher expenses and more market volatility may be the immediate effects, SMEs may overcome these difficulties by streamlining key processes. Furthermore, encouraging laws and assistance from the government can foster an atmosphere that allows SMEs to prosper throughout the phase-out of subsidies. Nigerian SMEs have the capacity to sustain economic growth and make valuable contributions to the

nation's overall development by embracing change and capitalizing on available possibilities.

Reducing the Effect

According to Asadu (2023) and Akinola *et al.* (2023), Nigeria's elimination of fuel subsidies has created a difficult climate for small and medium-sized businesses. For SMEs to overcome, the influence on customer demand, supplier chains, and operating expenses present formidable obstacles. SMEs may, however, adjust and prosper in the changing economic environment with the help of calculated government actions, investments in alternative energy, and enhanced infrastructure. It is crucial to take into account the effects of fuel subsidy policies and develop comprehensive solutions that support the sustained expansion and resilience of SMEs in Nigeria as the nation works toward sustainable economic growth.

1. Government Support:

To help SMEs cope with the immediate effects of petrol price hikes, the government might offer them incentives and targeted financial aid. SMEs might get assistance from tax cuts, subsidies, or low-interest loans to help them adapt to the current economic climate.

2. Investing in Alternative Energy:

SMEs may lessen the impact of fuel price changes by reducing their dependency on fossil fuels and by promoting the use of energy-efficient technology and renewable energy sources.

3. Improving Infrastructure:

Investing in more effective transportation infrastructure may lower transportation costs and boost the flow of goods and services more efficiently.

4. Financial Literacy and financing Access:

SMEs may investigate novel solutions and grow their operations by developing their financial literacy and facilitating their access to financing.

METHODOLOGY

The study adopted exploratory research method which provided clearer understanding of the study. It also adopted the use of qualitative research method which actually provided the motivating factors behind the entrepreneurs in the block-making industries as regards how it has affected their production capacities and other economic factors. Several literature were studied and reviewed to provide deep knowledge and understanding of fuel subsidy removal and its effects on the block-making industries being SMEs. The removal of fuel subsidy have negatively affected the block-making industries which in turn reduces the small and medium enterprises growth and development in Nigeria. It is in turn revealed that after patience, the subsidy removal policy would in the long re-channel the investment process of SMEs and the block-making industries focus on improving its economic activities whereby it would increase growth and development of SMEs in Nigeria.

CONCLUSION

Undoubtedly, the elimination of fuel subsidies has a negative impact on small and medium-sized enterprises (SMEs), particularly in the block-making sector because they are unable to meet production and material prices, which may result in staff reductions and a rise in crime (Shagali & Yusuf, 2022). Despite being

expected and required, the elimination of fuel subsidies has had both positive and bad effects on the nation as a whole. Politics, society, and the economy are all impacted by this choice. The withdrawal was not without its difficulties, despite the fact that the public, government, and international entities were well aware of the burden and problems related to the fuel subsidy.

The elimination of fuel subsidies has a positive macroeconomic impact in that the money would be utilized to close the existing budget gap. Research already conducted indicates that fuel subsidies are a contributing factor to Nigeria's increasing budget deficit and hence need to be eliminated (Harun, *et al.*, 2018; Adagunodo, 2022).

According to a different holistic perspective, the economic impact of the Federal Government's withdrawal of subsidies will be significant in lowering the budget deficit and maybe creating a budget surplus soon.

However, SMEs bear the brunt of the consequences of the removal of fuel subsidies, which impact their businesses that are finding it difficult to expand. Many SMEs have become paralyzed as a result of the lack of measures taken to mitigate the effects on them, particularly on the Nigerian economy's block making industry sector. The industry has suffered greatly since those who work in construction or building houses are the ones who eat well.

Reducing government borrowing is another advantage of eliminating fuel subsidies (Ozili & Obiora, 2023). Deregulation of the downstream will enable more businesses to import petroleum at competitive prices, which will lead to an increase in employment as well (Olujobi, 2022). and these businesses do in fact hire people to work for them. If the government permits domestic refineries to produce more crude oil and other petroleum products, it will also boost the currency rate or lessen pressure on it. As a result, there will be a decrease in petroleum product imports and an increase in locally produced petroleum product exports (Akinola, 2018).

As a result, foreign exchange from petrol imports will be preserved, while foreign exchange from petrol exports will grow. The accretion of foreign exchange will raise the Naira's value relative to the US dollar and increase the availability of foreign exchange on the foreign exchange market. This would thus cause the Naira to appreciate and the exchange rate to increase.

All of these steps would only be effective if the federal government reviewed certain trade regulations and implemented practical strategies to mitigate the impact of the elimination of fuel subsidies on small and medium-sized enterprises. Then, SMEs could expand, and business owners would be more focused.

RECOMMENDATIONS

It is advisable for governments at all levels to take into account the requests of their constituents for hardship alleviation. Nothing about the fuel subsidy withdrawal was an executive order issued by the President of Nigeria, who was expected to have taken into account the necessity for any sort of contingency plan to mitigate the negative consequences of the fuel subsidy removal. As a result, the study suggests that

The Federal Government of Nigeria should act quickly to mitigate the impact of the loss of fuel subsidies on SMEs, since they require a supportive environment in order to contribute to the economy. In order to identify areas that require assistance, a team within the Ministry of Trade and Commerce will also be established to oversee and collect data from SMEs. This would lessen the politicization of any aid that is given to Nigerian SMEs that are registered.

Through federal government assistance, SMEs should investigate energy-efficient options, such as energy management techniques or renewable energy sources, to lessen the effect of rising power prices. To lessen

these consequences on SMEs, the government should also propose policies that would alleviate the negative implications of eliminating subsidies. It is imperative that the government take action to allay these worries and lessen any potential negative consequences from rising fuel costs. This might entail improving public transit networks, creating focused social safety nets, and advocating for alternative energy sources. Furthermore, fostering public trust and understanding will need efficient communication and openness on the policies and programmes of the government.

REFERENCES

1. Adekunle, I. A., & Oseni, I. O. (2021). Fuel subsidies and carbon emission: evidence from asymmetric modelling. *Environmental science and pollution research*, 28, 22729-22741.
2. Adagunodo, M. (2022). The Effect of Oil Receipts and Fuel Subsidy Payment on the Current Account Deficit in Nigeria and Venezuela. *Annals of Spiru Haret University. Economic Series*, 22(1), 137-152.
3. Akinola, A. O. (2018). Oil subsidy administration in Nigeria. *Globalization, Democracy and Oil Sector Reform in Nigeria*, 231-265.
4. Akinola, E. T., Laosebikan, J. O., Akinbode, J. O., Afolabi, F. O. & OLamiti, A. O (2023). Practicable Vocational and Entrepreneurial Skills Acquisition for Job Creation and Poverty Alleviation Among Nigerian Youths. *International Journal of Business Review* 8(11) 1 – 19 e03290.
5. Anwanakak, E. (2023). The Impact of Fuel Subsidy Removal on Small and Medium Enterprises in Nigeria. Accessed from <https://www.linkedin.com/pulse/impact-fuel-subsidy-removal-small-medium-enterprises-edet-anwanakak/>
6. Asadu, U. (2023). The Impact of Subsidy Removal on SMEs in Nigeria: Navigating Challenges and Embracing Opportunities. Accessed from <https://simplebks.com/blog/the-impact-of-subsidy-removal-on-smes-in-nigeria-navigating-challenges-and-embracing-opportunities>
7. Asare, J., Reguant, M., Saab, M., & Sacchetto, C. (2020). Low oil prices during COVID-19 and the case for removing fuel subsidies. *International Growth Centre*, August, 1-15
8. Buchi, R. (2023). Starting a Block Industry may be your Road Map to Profitable Business. Accessed from <https://kobotalk.com/start-a-block-industry-business-now-and-make-good-money-for-yourself/#:~:text=A%20block%20industry%20is%20a,either%20be%20solid%20or%20hollow>. On 28th November, 2023.
9. Couharde, C., & Mouhoud, S. (2020). Fossil fuel subsidies, income inequality, and poverty: Evidence from developing countries. *Journal of Economic Surveys*, 34(5), 981-1006.
10. Harun, M., Mat, S. H. C., Fadzim, W. R., Khan, S. J. M., & Noor, M. S. Z. (2018). The effects of fuel subsidy removal on input costs of productions: Leontief input-output price model. *International Journal of Supply Chain Management*, 7(5), 529-534
11. Kreston, Pedabo (2023). Assessing the Implication of Fuel Subsidy Removal in Nigeria: Economic, Social and Political Considerations. Accessed from <https://krestonpedabo.com/assessing-the-implication-of-fuel-subsidy-removal-in-nigeria-economic-social-and-political-considerations/#:~:text=The%20removal%20of%20fuel%20subsidy%20has%20notably%20increased%20the%20cost,tandem%20with%20these%20rising%20costs>.
12. Majekodunmi, A. (2013). The political economy of fuel subsidy removal in Nigeria. *International Journal of Management and Social Sciences Research*, 2(7), 76-81.
13. McCulloch, N., Moerenhout, T., & Yang, J. (2021). Fuel subsidy reform and the social contract in Nigeria: A micro-economic analysis. *Energy policy*, 156, 112336.
14. Olujobi, O. J. (2021). Deregulation of the downstream petroleum industry: An overview of the legal quandaries and proposal for improvement in Nigeria. *Heliyon*, 7(4), e06848.
15. Omitogun, O., Longe, A. E., Muhammad, S., & Adekomi, I. J. (2021). Environmental Impact of Economic Growth and Fuel Subsidy in Nigeria. *Economic Insights-Trends & Challenges*, (1)
16. Ovaga, O. H., & Okechukwu, M. E. (2022). Subsidy in the downstream oil sector and the fate of the masses in Nigeria. *Kuwait Chapter of Arabian Journal of Business and Management Review*, 1(6), 1-20

17. Ozili, R. K & Obiora, K. (2023). Implications of fuel subsidy removal on the Nigerian economy. *Public Policy's Role in Achieving Sustainable Development Goals, 2023*.
18. Ozili, P. K., & Ozen, E. (2021). Global energy crisis: impact on the global economy. In Proceedings of IAC in Budapest 2021 (Vol. 1, pp. 85-89). Czech Institute of Academic Education
19. Parry, I., Black, M. S., & Vernon, N. (2021). Still not getting energy prices right: a global and country update of fossil fuel subsidies. International Monetary Fund.
20. Punch (2023). Subsidy removal: Challenges and solutions. Punch Newspaper of 6th October. Accessed from <https://punchng.com/subsidy->
21. Shagali, A. A., & Yusuf, R. (2022). Political Economy of Fuel Subsidy Removal in Nigeria: Issues, Challenges and the way forward. *Zamfara Journal of Politics and Development*, 3(3), 12- 12.
22. SMEEAN (2023). Micro, Small, and Medium Enterprises (MSMEs) in Nigeria – An Overview. Accessed from <https://invoice.ng/blog/msmes-in-nigeria-overview/#:~:text=In%20Nigeria%2C%20Micro%20Small%20and,between%2010%20and%2049%20employees.> on 28th November, 2023
23. Stoddard, D. (2013). Business Process Re-engineering Theory. In “*Encyclopedia of Management Theory*.” Kesler, E. (ed). Sage Publications Inc. Los Angeles
24. Umeji, G., & Eleanya, E. (2021). Assessing the Impact of Fuel Subsidy Removal in Nigeria on the Poor in the COVID-19 Era. *SERBD-International Journal of Multidisciplinary Sciences*.
25. Wikipedia (2023). Small and medium-sized enterprises. Accessed from https://en.wikipedia.org/wiki/Small_and_medium-sized_enterprises# on 27th November, 2023