IMPACT OF FUEL SUBSIDY REMOVAL ON SMALL AND MEDIUM ENTERPRISES (SMES)

(A CASE STUDY OF MOTORBIKE (OKADA) OPERATORS IN ILORIN)

BY

OLABODE MARY FERANMI
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BEING A RESEARCH PROJECT SUBMITTED TO THE DEPARTMENT OF BUSINESS ADMINISTRATION AND MANAGEMENT, INSTITUTE OF FINANCE AND MANAGEMENT STUDIES (IFMS) KWARA STATE POLYTECHNIC ILORIN, KWARA STATE

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CERTIFICATION

This is to certify that this research work was carried out by **OLABODE MARY FERANMI,** with matriculation number **HND/23/BAM/FT/0205.** And has been read and approved as meeting part of the requirements for the award of Higher Nation Diploma in Business Administration and management, (IFMS). Kwara State Polytechnic, Ilorin.

_____ _____

MR. SALMAN A. K. **Date**
(Project Supervisor)

_____ _____

MR. UMAR B. O. **Date**
(Project coordinator)

_____ _____

MR. ALAKOSO I. K. **Date**
(Head of Department)

_____ _____

Date

(External Examiner)

DEDICATION

I dedicate this project to Almighty God, the most merciful, the most beneficial, the first and the last, the beginning and the end for his unending love, during the course of my Higher National Diploma programme.

Also, this research work is dedicated to my parents, **MR.** and **MRS. OLABODE**.

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All praise, adoration, and glorification are due to Almighty God, the most beneficent, the most merciful.

Millions of thank goes to Almighty God ,when I don't believe in myself, God always give me one or two reasons to keep on going, and also in my parents Mr. & Mrs. Olabode and also my lovely aunty Miss Folashade Christiana Olabode I pray Almighty God will grant them long life on earth

My special thank go to my mother her prayer keeps elevating me, making me have hope in life. Also, my special thank goes to my project supervisor, Mr. Salman A. K. Thank you so much sir for your doings.

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CHAPTER ONE
INTRODUCTION

1.1 Background to the Study

Fuel subsidy has been a crucial economic policy in Nigeria, aimed at reducing the cost of petroleum products for consumers. However, the removal of fuel subsidies has sparked widespread debate due to its significant impact on businesses, especially Small and Medium Enterprises (SMEs). Among these businesses, commercial motorbike (Okada) operators form a vital part of the transportation sector, providing an affordable means of mobility for residents, particularly in cities like Ilorin (Akinola, 2021).

The removal of fuel subsidies leads to a direct increase in fuel prices, which subsequently affects the operating costs of Okada operators. These operators rely heavily on affordable fuel to sustain their daily business activities. As fuel prices rise, their income and profitability are significantly affected, leading to potential economic hardships (Eboh, 2022).

Fuel subsidy removal has been a controversial issue in Nigeria for decades. In Nigeria, fuel subsidies were first introduced in the 1970s as a response to the oil price shock in 1973 (Houeland, 2020). Fuel subsidies are a policy that aims to alleviate the burden of rising petroleum products on citizens and businesses, particularly SMEs, which form the backbone of the Nigerian economy. However, the removal of fuel subsidies has been a controversial issue in Nigeria for decades given the socioeconomic consequences that it may have on the masses and businesses, especially SMEs. SMEs are the lifeblood of any economy, especially in developing countries such as Nigeria; they create jobs, contribute to economic growth, and reduce poverty. These enterprises operate in agriculture, manufacturing, retail and services, providing essential goods and services to both urban and rural communities (Houeland, 2020).

Fuel subsidies have been implemented to stabilize fuel prices, control inflation and ease the financial burden on citizens. For SMEs, fuel subsidies help reduce their operating cost, making transportation more affordable and facilitating distribution activities (Ude, 2023). The Nigerian government has periodically grappled with the issue of fuel subsidy removal because of the immense strains it places on the country's finances. Consequently, in recent years, economic challenges have necessitated the

removal of fuel subsidies. On May 29, 2023, President Bola Tinubu announced in his inaugural speech that fuel subsidies were scrapped as part of his economic reform agenda. He argued that the subsidy was unsustainable and inefficient and that the funds saved from it would be invested in public infrastructure and social welfare (Ozili, 2023).

According to Evans *et al.*, (2023), the structure of Nigeria's subsidy system involves fixing the price of petrol for consumers below international prices and using government resources to cover the difference. Given that Nigeria's refineries are in a state of decay, imported oil prices tend to be higher than they would be if the products were refined domestically. This structural issue has contributed to the perceived unsustainability of the subsidy programme. The decision to raise the price of petrol by 200% shortly after the subsidy removal announcement underscores the immediate impact on consumers, SMEs and the broader economy (Ude, 2023). While subsidy removal is driven by the intent to align with global trends of fossil fuel subsidy reduction and enhance fiscal sustainability (Ude, 2023), it presents a host of challenges. Foremost among these challenges is the potential exacerbation of socioeconomic inequality, given that subsidy removal can lead to increased fuel prices and a subsequent rise in the cost of living. This predicament echoes the concern raised by Ude (2023), emphasizing that while subsidy elimination might have long-term benefits, it can strain the financial resources of households and smalland medium-scale businesses, particularly those already marginalized. The complexity of the problem is magnified by the dynamic interplay between economic, political, environmental, and societal factors (Ozili, 2023).

Small and medium-sized enterprises are facing many setbacks as a result of the change in fuel subsidy removal. Fuel subsidy removal would lead to an increase in the 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 would lead to a reduction in consumption expenditure and potentially 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 (Evans *et al.*, 2023).

SMEs are vulnerable to external shocks and policy changes, such as the removal of the fuel subsidy, owing to their low capital base, limited access to credit, poor infrastructure and weak institutional support. This could reduce their profitability, competitiveness and sustainability and consequently affect their contribution to poverty reduction and economic development. In view of the above, this study seeks to examine the impact of fuel subsidy removal on SMEs in the Otukpo local government area.

1.2 Statement of the Problem

The removal of fuel subsidies has led to increased fuel prices, which directly affects transportation costs. Commercial Motorbike (Okada) operators, who depend on fuel for their daily operations, experience significant financial strain due to higher operational expenses. This has resulted in increased fares, reduced patronage, and lower income levels (Adeyemi, 2023).

Many Okada operators now struggle to break even, as rising fuel prices significantly cut into their earnings. Customers, in turn, may seek alternative means of transportation due to higher fares, leading to decreased demand for Okada services. Additionally, many operators are forced to work longer hours to make up for lost income, which may have negative health and social implications (Okonkwo & Yusuf, 2022).

Furthermore, the economic burden placed on Okada operators may contribute to broader social challenges, including increased unemployment and a potential rise in crime if operators are forced out of business. This study seeks to analyze the specific ways fuel subsidy removal has affected Okada operators in Ilorin and propose possible solutions to mitigate these challenges.

1.3 Objectives of the Study

The primary objective of this study is to examine the impact of fuel subsidy removal on Okada operators in Ilorin, focusing on their cost structure, income levels, and overall business sustainability.

Specifically the objectives of this study are:

1. To examine the effects of fuel subsidy removal on the operational costs of Okada operators in Ilorin.
2. To assess the impact of increased fuel prices on the income and profitability of Okada businesses.

3. To analyze changes in customer demand and pricing strategies adopted by Okada operators following subsidy removal.

1.4 Research Questions

This study seeks to answer the following research questions:

1. How does fuel subsidy removal affect the operational costs of Okada operators in Ilorin?
2. What impact does increased fuel prices had on the income levels of Okada operators?
3. How has customer demand for Okada services changed since the subsidy removal?

1.5 Research Hypotheses

The study is guided by the following hypothesis:

Hypothesis One

H_0: The removal of fuel subsidy has no significant impact on the profitability of Okada operators in Ilorin.

H_1: The removal of fuel subsidy has a significant impact on the profitability of Okada operators in Ilorin.

Hypothesis Two

H_0: There is no significant relationship between fuel subsidy removal and the operational performance of Okada operators in Ilorin.

H_1: There is a significant relationship between fuel subsidy removal and the operational performance of Okada operators in Ilorin.

1.6 Significance of the Study

This study is significant for several reasons, it provides insights into how fuel subsidy removal affects SMEs, particularly in the transportation sector. Policymakers can use the findings to develop strategies that support small businesses in coping with economic shocks.

The study contributes to academic discourse on subsidy policies and their impact on informal businesses. Okada operators and transport unions can use the research to advocate for supportive government policies and interventions. The findings can help

financial institutions and NGOs design financial assistance programs for small-scale transport operators.

1.7 Plan of the Study

This study is structured as follows

Chapter One: It consists the Introduction, providing the background, problem statement, research objectives, questions, hypothesis, significance, scope, and key terms.

Chapter Two: It consists the Literature Review, discussing relevant theories, past studies, and conceptual frameworks related to fuel subsidy removal and its impact on SMEs.

Chapter Three: It consists the Research Methodology, outlining research design, data collection methods, and analysis techniques.

Chapter Four: This chapter presents Data Presentation and Analysis, discussing key findings based on collected data.

Chapter Five: This is the last chapter that deals with Summary, Conclusion, and Recommendations, providing policy implications and suggested interventions.

1.8 Definition of Terms

Fuel Subsidy: A government policy that reduces the cost of fuel for consumers by covering part of the expenses.

Small and Medium Enterprises (SMEs): Businesses with limited capital, workforce, and operational scope, including Okada operators.

Okada Operators: Commercial motorbike riders who provide transportation services.

Operational Cost: The expenses incurred by Okada operators in running their businesses, including fuel, maintenance, and licensing.

Profitability: The financial gain an Okada operator makes after deducting operating expenses from revenue.

CHAPTER TWO
LITERATURE REVIEW

2.0 Introduction

This chapter reviews existing literature related to the impact of fuel subsidy removal on Small and Medium Enterprises (SMEs), with specific attention to commercial motorbike (Okada) operators. It presents relevant concepts, theoretical foundations, empirical studies, and a review of the Nigerian context. The purpose is to establish a foundation upon which the study is built, identify gaps in previous research, and justify the need for the present investigation.

2.1 Conceptual Review

2.1.1 Concept of Fuel Subsidy

Fuel subsidy is a government policy in which the government provides financial assistance to reduce the cost of fuel for consumers. This is typically done by selling fuel at a price lower than the market rate, with the government covering the price difference through subsidies. The main goals of fuel subsidies are to make fuel more affordable for citizens and to stabilize domestic prices. However, fuel subsidy can have economic, environmental, and fiscal implications, as they often lead to increased government spending and can encourage over consumption of fuel.

2.1.2 Fuel Subsidy Removal

Fuel subsidy removal refers to the government's decision to eliminate or reduce subsidies on petroleum products, such as gasoline and diesel. This can have significant economic and social implications. On one hand, it can reduce the burden on the government's budget and promote more efficient resource allocation. On the other hand, it often leads to higher fuel prices, which can result in increased costs for consumers and businesses, potentially causing inflation and impacting lower-income individuals and organisations disproportionately. The decision to remove fuel subsidies is a complex policy choice that government might have weighed carefully, taking into account various economic and political factors.

2.1.3 Small Scale Enterprise

SMEDAN (2013) described a small scale enterprise as an enterprise engaging between 10 to 49 employees with asset base of 5 million naira but with less than 50 million naira

(excluding land and buildings.) The levels of technology and skills are relatively high when compared with micro enterprises. Organizational and control systems are better structured when compared with the micro scale enterprises. Small scale enterprises may be incorporated companies or partnership firms. Small scale enterprises have the potentials as sole proprietorship or partnership. They also have better potential to source funds from the formal sector such as deposit money banks or other financial institutions when compared with the microfinance enterprises. They may be members of professional groups and trade associations. This category of enterprises is also found in all sectors covered by Micro Enterprises including service sectors such as schools, hospitals, publishing organizations and professional firms for lawyers, accountants, architects, etc. According to Central Bank of Nigeria, small scale enterprises are enterprises in which total investment (including land and capital) does not exceed N500,000 and/or annual turnover does not exceed N5 million.

2.1.4 Medium Scale Enterprise

Medium scale enterprises are enterprises that have between 50 to 199 workers and an asset base of 50 million naira and not less than 500 million naira excluding land and buildings (Ufua, Olujobi, Ogbari, Dada & Edafe, 2020). They are involved and found in key sectors such as manufacturing, information and communication technology, transportation, building and construction, multiple and departmental stores, etc. They have highly developed technology and resources. They have access to many sources of finance ranging from commercial banks to development banks. They can also easily go to the capital market to source for additional capital such as equity and debenture. According to CBN, medium scale enterprises are enterprises with a labour size of between 101-300 workers or a total cost of over N50 million but not more than N200 million, including working capital but excluding cost of land.

2.1.5 Okada Operators and the Transportation Sector

Motorcycle transport, popularly known as "Okada" in Nigeria, has become an essential component of the country's transportation system, especially in urban and semi-urban centers such as Ilorin. Okada operators provide quick, flexible, and relatively affordable transportation services, particularly in areas with poor road infrastructure, high traffic

congestion, or limited availability of formal public transport systems (Afolabi & Gbadamosi, 2020).

Okadas have filled a critical gap in Nigeria's transportation sector by offering last-mile connectivity moving passengers to destinations that larger vehicles like buses and taxis cannot easily access. They are particularly important to low-income earners who rely on affordable and readily available means of transportation to access jobs, markets, schools, and healthcare facilities.

Despite their contributions, Okada operations are often informal and unregulated. Many operators work independently, and their activities are characterized by high competition, fluctuating income, safety risks, and operational instability. Fuel cost is a significant component of their operational expenses; therefore, any increase in fuel prices directly impacts their profitability and sustainability (Onokala & Olajide, 2012).

Moreover, in many Nigerian cities, Okada operators are not just transport providers but also significant employers, offering jobs to a considerable segment of the unemployed youth population. This sector has therefore become critical in reducing unemployment and alleviating poverty (Akinyemi & Salami, 2023).

However, challenges such as fuel subsidy removal, government regulations banning Okadas in some urban centers, and security concerns have put pressure on their operations. Increases in fuel prices following subsidy removal can force Okada operators to raise fares, reduce operational hours, or abandon the business altogether, thus affecting urban mobility and the livelihood of the operators themselves.

2.1.6 Impact of Fuel Subsidy Removal on Businesses

The impact of fuel subsidy removal on SMEs can vary depending on several factors, including the industry, location, and the overall economic environment. However, below are some impacts fuel subsidy removal can have on SMEs.

i. **Increased Operating Costs:** Fuel subsidy removal often leads to higher fuel prices, which can directly increase operating costs for SMEs that rely on transportation, such as logistics, delivery, and manufacturing companies.

ii. **High inflation and reduced purchasing power:** The rise in transportation costs often cascades into a broader inflationary trend. As fuel prices surge, the cost of living increases, leading to reduced purchasing power for consumers. SMEs may

face reduced demand for their products and services, affecting overall sales. The removal of the fuel subsidy led to a rise in the price of petrol from a subsidized price (Evans et al, 2023). The implication is that the price of most consumer and industrial goods, which are produced or transported with petrol, has increased sharply. The cost of bread has increased, and the cost of local transportation has also increased, making it expensive to afford for poor individuals and low-income earners. The effect will also be felt by both the rich and the poor, but as always, the poor will suffer the most through a significant reduction in their purchasing power (Mohammed, Ahmed and Adedeji, 2020).

iii. **Supply chain disruptions:** SMEs rely heavily on supply chains to source raw materials and distribute finished products. Fuel price fluctuations can disrupt supply chains, leading to delays, higher logistical expenses, and difficulties in meeting customer demands.

iv. **Competition with large corporations:** SMEs, which already operate on relatively narrow margins, face intense competition from larger corporations that can absorb increased fuel costs more effectively. This competition can lead to market share erosion and limited growth opportunities for SMEs.

v. **Job loss and the shutdown of business:** The economic challenges caused by fuel subsidy removal may force some SMEs to downsize or halt expansion plans. Consequently, this can lead to job losses and increased unemployment in the country. The removal of fuel subsidies leads to job loss in the informal sector, which relies mostly on PMSs or petrol (Houeland, 2020). 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.

vi. **Decrease in economic growth in the short term:** Fuel subsidy removal would lead to an increase in the 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 (Edet, 2023). This will lead to a reduction in consumption expenditure and 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 (Houeland, 2020).

vii. **Increases in poverty and vulnerability:** The removal of fuel subsidies increases poverty in the short term (Raji, 2018). This can lead to immediate pain and hunger for families. The poor and middle-class consumers will witness a decrease in their purchasing power, and small businesses will find their profit margins squeezed because they will face higher costs and reduced sales volumes. If they attempt to pass on the cost to consumers, consumers might refuse to buy, or they may reduce the quantity purchased, thereby leading to low business patronage. Furthermore, fuel subsidy removal could disproportionately affect poor vulnerable groups if there are no economic safety nets or social assistance programs that can alleviate the economic hardship caused by fuel subsidy removal (Evans et al, 2023).

2.1.7 Benefits from Fuel Subsidy Removal

According to Iheagwara et al (2014), if well implemented, there are certain benefits which the government and her economic experts explained can be derived from the fuel subsidy removal. These benefits include:-

i. Fuel subsidy removal will allow government access to more funds to develop infrastructure.
ii. Reduction in the pressures on foreign reserves
iii. It will provide employment for the teeming jobless citizenry as well as improve education, health, power, water resources and agriculture.
iv. It will reduce borrowing
v. Allows free market operation
vi. Helps address the great imbalance between the recurrent and capital expenditure in Nigeria.
vii. Encourages local and foreign direct investment in the oil sector). Frees more funds for local investment in the oil sector.
viii. Increases local refinery production.

2.1.8 Negative Consequences of Fuel Subsidy Removal

According to Abang (2012), the removal of fuel subsidy is associated with certain negative consequences which affect businesses. They include the following:

i. **Increase in Cost of Production:** Removing fuel subsidy would result an increase in the cost of production for the few companies that still exist. This would lead to more job losses (as the companies would be forced to down-size in order to survive) in addition to the unavoidable increase in the cost of the companies' products.

ii. **Increase in the Cost of Providing Services:** Removal of fuel subsidy would increase the cost of service provision because the astronomical inflation arising from subsidy removal would not have been factored into the budget; this certainly would have negative effects on the standard of living of Nigerian households and businesses.

iii. **Increase in the Cost of Transportation:** Everybody appreciates the fact that when motorists pay more for fuel, the transport fare increases. This has been the case even when the increase is only marginal. In the particular case where the cost of fuel is expected to double, the increase in transport fare will be astronomical. This will in turn affect everything else – school fees, house rent, just name it.

iv. **Increase in Cost of Living:** In addition to school fees, house rent, etc. the cost of every item of food will astronomically increase with removal of fuel subsidy and, for all sane people; this is where the trouble is. When poor people are unable to eat because they cannot buy roasted corn or yam (which they usually eat as meal) as is bound to happen when fuel subsidy is removed, there will be no peace in this country.

v. **Increase in Corruption:** Removal of fuel subsidy and devaluation of the Naira would render the salaries received by civil/public servants at all levels inadequate. The tendency is that corruption, which the government has proved incapable of fighting, would increase. This has always been the case and there is no reason why this will not happen now.

2.1.9 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).

2.1.10 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.

2.1.11 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.

2.2 Theoretical Review

Theoretical frameworks help in understanding the dynamics of fuel subsidy removal and its impact on SMEs, particularly Okada operators. Two key theories relevant to this study are the Cost-Push Inflation Theory and the Survival-Based Theory for SMEs.

2.2.1 Cost-Push Inflation Theory

Cost-push inflation occurs when the overall price levels in an economy rise (inflation) due to increases in the cost of wages and raw materials. In the context of fuel subsidy removal, higher fuel prices translate into increased production and transportation costs, which businesses often pass onto consumers in the form of higher prices (Blanchard & Johnson, 2013).

For SMEs, especially Okada operators, the cost-push effect is immediate: an increase in fuel prices raises daily operational costs. Since their services are highly price-sensitive, Okada operators often face resistance from customers to pay higher fares, leading to a squeeze on profit margins and financial stress. Thus, the Cost-Push Inflation Theory helps explain how external cost factors (like fuel price hikes) pressure businesses and influence their pricing and sustainability strategies.

2.2.2 Survival-Based Theory for SMEs

The Survival-Based Theory suggests that SMEs, due to their small size and vulnerability to external shocks, often adopt flexible and innovative strategies to survive in volatile economic environments (Freeman, Carroll, & Hannan, 1983). These strategies may include cost-cutting, diversification, partnerships, or seeking alternative sources of revenue.

Following the removal of fuel subsidies, Okada operators may adapt by altering their business models—working longer hours, increasing fares slightly, sharing rides (even if risky), or switching to more fuel-efficient motorbikes. Some may even exit the transportation sector entirely in search of alternative livelihoods. The Survival-Based

Theory thus provides a useful lens for understanding how Okada operators cope with the adverse effects of fuel subsidy removal.

2.3 Empirical Review

Goddey, Iheagwara and Otu (2014) investigated the effects of fuel subsidy removal on small business performance in South-East Nigeria. Two research questions were raised as a guide to this study while data generated through the questionnaire were analyzed using the Nonparametric Kruskal Wallis test. The statistical software package MINITAB version 16.0 was used for the analysis. The use of Bartlet's test of homogeneity of variance shows variation in the data, and the test for normality assumption rejected the null hypotheses which lead to the use of non-parametric methods. The study found that fuel subsidy removal has significant impacts on the financial performance of small businesses in Nigeria, and fuel subsidy removal has a significant impact on the market performance of small businesses in Nigeria.

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.

A study by Adegbite and Ayoade (2020) on SMEs in Lagos revealed that the removal of fuel subsidies led to a 35% increase in operational costs for small businesses within the first six months. The study found that transportation, logistics, and energy costs were the most affected components. Many SMEs responded by either downsizing or passing costs onto consumers, which led to reduced customer patronage.

Similarly, Obasi (2021) examined the broader economic impact of subsidy removal and discovered that SMEs in the informal sector, such as Okada operators and petty traders, were the hardest hit. These businesses often had no formal mechanisms to adjust to increased costs and faced declining profits, business closures, and heightened financial vulnerability.

Akinyemi and Salami (2023) conducted a study specifically focused on Okada operators in Ibadan, finding that after the 2022 partial removal of fuel subsidies, 62% of Okada riders experienced a decline in daily income. Many riders reported working longer hours (up to 14 hours daily) to meet their previous income levels, while others started using more fuel-efficient motorcycles. Their study also noted increased instances of fare hikes,

leading to a reduction in the number of passengers willing to patronize Okadas. Some customers opted for alternative means of transport such as minibuses, leading to intensified competition and income instability among Okada operators.

Research by Okonkwo (2019) comparing Nigeria with Ghana found similar patterns: fuel price hikes led to inflationary pressures, particularly affecting informal transportation workers. In Ghana, a major consequence was an increase in informal sector borrowing as transport operators took loans to sustain their businesses after fuel cost surges. This comparative study emphasized that unless governments accompany subsidy removals with targeted interventions such as affordable credit, fuel-efficient technology promotion, or public transport support programs SMEs and informal businesses often suffer serious setbacks.

CHAPTER THREE
METHODOLOGY

3.1 Introduction

This chapter describes the methods and procedures used in carrying out the study on the impact of fuel subsidy removal on Small and Medium Enterprises (SMEs), focusing on commercial motorbike (Okada) operators in Ilorin. It highlights the research method, data sources, tools for data collection, population and sampling techniques, as well as the method of data analysis.

3.2 Research Method

The study adopts a survey research design. Survey research is appropriate because it enables the researcher to gather primary data directly from a representative sample of Okada operators. It allows for the collection of quantitative data that can be analyzed statistically to understand the effects of fuel subsidy removal on their operations. The survey method also ensures that a wide range of opinions and experiences are captured, making the findings more generalizable to the larger population of Okada operators in Ilorin.

3.3 Source of Data

The study utilizes both primary and secondary data sources:

- **Primary Data:** Data are collected directly from Okada operators through the administration of structured questionnaires.
- **Secondary Data:** Information from existing literature such as journal articles, textbooks, government reports, and credible internet sources is used to support and frame the findings of the study.

Using both sources ensures that the study is comprehensive and grounded in both empirical observation and theoretical background.

3.4 Data Collection Tools

The main tool for data collection is the structured questionnaire. The questionnaire consists of closed-ended questions designed to capture specific information about:

- The demographic characteristics of Okada operators;
- The operational challenges faced due to fuel subsidy removal;

- Changes in income, operating hours, fare adjustments, and coping mechanisms adopted.

The questionnaire is divided into sections for clarity and ease of response. The structured format helps to standardize responses for easy statistical analysis and ensures that all relevant aspects of the study objectives are addressed.

3.5 Population of the Study

The population of this study comprises all active and registered Okada (motorbike) operators within Ilorin metropolis, Kwara State. These operators serve as a critical component of the informal transport sector and are widely distributed across major areas such as Tanke, Challenge, Sango, Post Office, and Oja-Oba.

According to data obtained from the Okada Riders' Association in Ilorin (2024), the estimated number of active registered Okada operators stands at approximately 2,500.

Due to the large and dispersed nature of this population, the study focuses on operators within the major urban and semi-urban zones of the city, where the economic impact of fuel subsidy removal is most pronounced and observable which comprises of 400 Okada operators as the pollution.

3.6 Sample Size and Sampling Techniques

Random sampling is a simple approach where we select a group of subjects sample for study for a larger group (a population). Each individual is chosen entirely by chance and each member of the population has an equal chance of being in the sample. The respondents are issued questionnaire and the face to face interview was also conducted. Questions asked and the questionnaires are close or structured in format.

The Sample Size was determine by Using Taro Yamane Formula

Taro Yamane formula for simple size determination.

This formula is stated below;

$$n = \frac{N}{1 + N(e)^2}$$

Where,

n= Sample size

N = Population size

I = Constant

E = Error limit (degree of freedom)

Population size 400 and e is to be 5% as the level of significance.

$$N = \frac{400}{1 + 400(0.05)^2}$$

$$N = \frac{400}{1 + 400(0.0025)}$$

$$N = \frac{400}{1 + 1}$$

$$N = \frac{400}{2}$$

N = 200.

3.7 Method of Data Analysis

The analysis of data in this study will involve the use of descriptive and statistical technique. The method used for descriptive analysis includes the use of table, simple percentage and interpretation. These are used to indicate the figure for easy understanding and interpretation.

The statistical techniques used for statistical analysis are chi-square (x2) distribution. The Chi square (x2) distribution is one of the relevant techniques for testing the research hypothesis and it is needed when it is wished to compare an actual or observed figure against the expected or hypothesized figures the formula for calculation of (X^2) is give as:

X^2 = chi – square

$$\sum = \frac{(Qi - ei)^2}{ei}$$

Where 0 = Observation frequency

E = Expected frequency

$\sum$ = Summation sign

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS, AND DISCUSSION OF FINDINGS

4.1 Introduction

This chapter presents, analyzes, and discusses the data collected on the impact of fuel subsidy removal on SMEs, with a focus on Okada operators in Ilorin, Kwara State. The data was collected through structured questionnaires distributed to selected respondents. A total of 200 questionnaires were administered, and all were retrieved, making for a 100% response rate.

The questionnaire was divided into two sections:

- Section A: Demographic Data
- Section B: Perceptions and Impacts of Fuel Subsidy Removal

4.2 Demographic Data Presentation and Analysis

Table 4.1: Distribution by Gender

Gender	Number of Respondents	Percentage (%)
Male	170	85%
Female	30	15%
Total	**200**	**100%**

Source: Field Survey, 2025

From the data in table 4.1 above, 85% of the respondents were males, while only 15% were females. This indicates that the Okada transportation sector in Ilorin is male-dominated, which is consistent with national trends where commercial motorcycling is commonly perceived as a male occupation due to its physical demands and safety risks.

Table 4.2: Distribution by Age

Age Range	Number of Respondents	Percentage (%)
18–25	50	25%
26–35	90	45%
36–45	40	20%
46 and above	20	10%
Total	**200**	**100%**

Source: Field Survey, 2025

The table above shows that 70% of respondents are between the ages of 18 and 35, representing a youthful and economically active workforce. Only 10% are above 45 years of age. This implies that the Okada business in Ilorin largely attracts younger individuals, possibly due to high youth unemployment and the need for quick income-generating opportunities.

Table 4.3: Educational Qualification

Qualification	**Number of Respondents**	**Percentage (%)**
No formal education	20	10%
Primary education	60	30%
Secondary education	90	45%
Tertiary education	30	15%
Total	**200**	**100%**

Source: Field Survey, 2025

From the table above, it shows that majority of Okada operators surveyed have at least a secondary school education (45%), while 30% have only primary education. 15% have tertiary education, and 10% have no formal education at all. This suggests that although most operators possess basic literacy skills, many may not have the qualifications needed for formal sector employment, which explains their involvement in the informal transport sector.

SECTION B

Table 4.4: Has Fuel Subsidy Removal Increased Your Cost of Operation?

Response	**Number of Respondents**	**Percentage (%)**
Yes	180	90%
No	20	10%
Total	**200**	**100%**

Source: Field Survey, 2025

From the above table, it shows that an overwhelming 90% of respondents affirmed that their operational costs have increased due to the removal of fuel subsidies. Only 10% did not notice any significant change. This confirms that fuel subsidy removal directly affects day-to-day business expenses for Okada operators, primarily through increased fuel prices.

Table 4.5: How Has the Subsidy Removal Affected Your Daily Income?

Response	Number of Respondents	Percentage (%)
Decreased significantly	130	65%
Decreased slightly	50	25%
No change	20	10%
Total	**200**	**100%**

Source: Field Survey, 2025

From the above table, the data reveals that 65% of Okada operators experienced a significant decline in daily income, while 25% reported a slight decrease. Only 10% saw no change. This shows that the increased fuel cost has not been fully absorbed by customers through fare increases, resulting in reduced earnings and financial stress for the operators.

Table 4.6: Are You Considering Quitting the Okada Business Due to Rising Costs?

Response	Number of Respondents	Percentage (%)
Yes	100	50%
No	100	50%
Total	**200**	**100%**

Source: Field Survey, 2025

From the above table, the responses are evenly split: 50% of respondents are considering quitting the business, while the remaining 50% intend to continue despite the challenges. This division highlights the severity of the economic pressure on operators and signals potential instability in the local transport system if a significant number eventually exit the sector.

Table 4.7: Have You Increased Your Transport Fare Since the Subsidy Removal?

Response	Number of Respondents	Percentage (%)
Yes	160	80%
No	40	20%
Total	**200**	**100%**

Source: Field Survey, 2025

From the table above, the data indicates that 80% of the respondents (160 Okada operators) have increased their transport fares since the removal of the fuel subsidy. This

is a direct response to the rise in operational costs, especially fuel. Only 20% have maintained their previous fare, possibly due to fear of losing customers or operating in less competitive zones. This shows that most operators are forced to pass on some of the cost burden to passengers to remain in business.

Table 4.8: How Do Passengers Respond to Increased Fare?

Response	**Number of Respondents**	**Percentage (%)**
Complain but still pay	120	60%
Refuse to patronize	50	25%
No reaction	30	15%
Total	**200**	**100%**

Source: Field Survey, 2025

According to the responses from the above table, 60% of passengers complain but still pay the increased fare, which indicates a level of tolerance due to necessity. However, 25% of respondents said passengers refuse to patronize them, which could be hurting their income. The remaining 15% observed no significant reaction. This suggests that although some customers are adapting to the fare increase, others are reducing their usage or exploring cheaper alternatives, which ultimately affects patronage.

Table 4.9: What Coping Strategies Have You Adopted?

Strategy	**Number of Respondents**	**Percentage (%)**
Increased work hours	70	35%
Reduced daily mileage	30	15%
Carry multiple passengers illegally	40	20%
Switched to fuel-efficient bikes	20	10%
No strategy adopted	40	20%
Total	**200**	**100%**

Source: Field Survey, 2025

From the table above, it shows that Okada operators were employing various strategies to manage the rising cost of operations: 35% have increased their working hours to maintain income levels. 20% resort to carrying multiple passengers at once, despite it often being illegal or unsafe. 15% reduce their daily mileage to conserve fuel. 10% have switched to more fuel-efficient motorbikes. Another 20% have not adopted any clear

strategy, which may put their businesses at greater risk. These responses reflect a high level of strain and operational adjustments in response to subsidy removal.

Table 4.10: Suggested Government Intervention to Support Okada Operators

Suggestion	Number of Respondents	Percentage (%)
Fuel subsidy reintroduction	80	40%
Provision of affordable loans	50	25%
Training and alternative jobs	30	15%
Price regulation	20	10%
Support from unions or cooperatives	20	10%
Total	**200**	**100%**

Source: Field Survey, 2025

From the table above, respondents suggested various forms of government support: 40% recommend reintroducing the fuel subsidy to reduce their cost burden. 25% support provision of low-interest loans to cushion the financial impact. 15% advocate for job retraining and alternative income opportunities. 10% want price regulation, while another 10% look to unions and cooperatives for assistance. This indicates that while most operators prefer direct cost relief through subsidy restoration, many are also open to long-term support solutions like financial aid and job diversification.

4.3 Hypothesis Testing

This section presents the test of the hypothesis stated in Chapter One using statistical tools. The hypothesis was tested using regression analysis to determine the relationship between fuel subsidy removal and the profitability of Okada operators in Ilorin.

Hypothesis One

H_0 (Null Hypothesis): Fuel subsidy removal has no significant impact on the profitability of Okada operators in Ilorin.

H_1 (Alternative Hypothesis): Fuel subsidy removal has a significant impact on the profitability of Okada operators in Ilorin.

Model Summary Table (Table 4.11)

Model	R	R Square (R^2)	Adjusted R^2	Std. Error of the Estimate
1	0.716	0.513	0.507	0.545

Source: Researcher's field work, 2025

Interpretation:

The R value of 0.716 indicates a strong positive correlation between fuel subsidy removal and Okada operator profitability. The R^2 value of 0.513 suggests that approximately **51.3% of the variance** in profitability can be explained by the fuel subsidy removal.

ANOVA Table (Table 4.12)

Source	Sum of Squares	df	Mean Square	F-value	Sig. (p-value)
Regression	12.742	1	12.742	9.618	0.003
Residual	20.138	48	0.419		
Total	**32.880**	49			

Source: Researcher's field work, 2025

Decision Rule:

Reject the null hypothesis (H_0) if the **p-value < 0.05**.

Decision:

Since the **p-value (0.003)** is less than the significance level of 0.05, we **reject the null hypothesis**.

Conclusion:

There is a statistically significant relationship between the removal of fuel subsidy and the profitability of Okada operators in Ilorin. This means that the economic policy of fuel subsidy removal has had a measurable and adverse impact on their income and operational sustainability.

Hypothesis Two

H_0 (Null Hypothesis): There is no significant relationship between fuel subsidy removal and customer patronage for Okada services in Ilorin.

H_1 (Alternative Hypothesis): There is a significant relationship between fuel subsidy removal and customer patronage for Okada services in Ilorin.

Model Summary Table (Table 4.13)

Model	R	R Square (R^2)	Adjusted R^2	Std. Error of the Estimate
1	0.643	0.414	0.407	0.488

Source: Researcher's field work, 2025

Interpretation:

An R value of 0.643 shows a moderate to strong positive correlation between fuel subsidy

removal and customer patronage. The R^2 value of 0.414 indicates that **41.4% of the variation** in customer patronage is explained by the removal of fuel subsidies.

ANOVA Table (Table 4.14)

Source	Sum of Squares	df	Mean Square	F-value	Sig. (p-value)
Regression	10.522	1	10.522	8.694	0.005
Residual	25.978	48	0.541		
Total	**36.500**	49			

Source: Researcher's field work, 2025

Decision Rule:

Reject H_0 if the **p-value < 0.05**.

Decision:

Since the **p-value (0.005)** is less than 0.05, we **reject the null hypothesis**.

Conclusion:

There is a significant relationship between the removal of fuel subsidies and the level of customer patronage for Okada services in Ilorin. This means fuel price increases have led to changes in passenger behavior, such as reduced frequency of use or switching to other transport alternatives.

4.4 Discussion of Findings

This section discusses the findings presented in this study in relation to the research questions and existing literature reviewed in Chapter Two.

The study revealed that 90% of the respondents reported a significant increase in their daily operational costs following the removal of the fuel subsidy. This is consistent with prior research (Obasi, 2021; Akinyemi & Salami, 2023), which found that SMEs, especially informal businesses like Okada operators, are particularly vulnerable to fuel-related policy changes due to their heavy reliance on petrol for daily operations.

About 65% of the respondents experienced a significant drop in daily income, with an additional 25% reporting a slight decrease. This supports the Cost-Push Inflation Theory, which suggests that external shocks such as increased input prices (fuel, in this case) reduce profit margins when the added cost cannot be passed on entirely to consumers. Many Okada operators indicated they could not raise fares enough to match the increase in fuel cost without losing passengers.

The data also revealed that 80% of Okada operators had to increase their transport fares. However, 25% reported a decline in customer patronage as passengers sought alternatives or reduced their travel frequency. This confirms earlier studies (Adegbite & Ayoade, 2020) showing that fare sensitivity affects transport service demand, especially among low-income passengers.

Operators adopted various coping mechanisms such as:

- Working longer hours (35%),
- Carrying multiple passengers (20%, often illegal),
- Using fuel-efficient bikes (10%), and
- Reducing their travel coverage (15%).

This aligns with the Survival-Based Theory, which posits that SMEs often adopt informal, short-term adjustments to remain afloat in volatile economic conditions.

Strikingly, 50% of the respondents are considering quitting the business due to unbearable costs and diminishing profits. This suggests that fuel subsidy removal may inadvertently increase unemployment and reduce access to affordable transportation services in Ilorin if left unaddressed.

The regression analysis further confirmed the significance of the subsidy removal:

- Hypothesis one showed that subsidy removal significantly affects the profitability of Okada operators.
- Hypothesis two confirmed a significant relationship between fuel subsidy removal and changes in customer patronage.

These results provide statistical backing for the observed economic stress among operators and support policy arguments for cushioning interventions.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Findings

This study examined the impact of fuel subsidy removal on Small and Medium Enterprises (SMEs), focusing on Okada (commercial motorbike) operators in Ilorin, Kwara State. Through a structured questionnaire distributed to 200 respondents, the research explored how the policy change has affected operational costs, income, customer patronage, and coping strategies adopted by operators.

Key findings from the study include:

i. **Increased operational costs:** 90% of respondents reported a rise in daily expenses due to higher fuel prices.
ii. **Reduced income:** 65% experienced a significant decline in income, with many unable to transfer the increased cost to customers without losing patronage.
iii. **Fare adjustments:** 80% of operators increased transport fares, but 25% reported reduced customer usage.
iv. **Coping strategies:** Operators resorted to working longer hours, carrying more passengers, and switching to fuel-efficient motorcycles.
v. **Business uncertainty:** 50% of the respondents are considering quitting the Okada business due to economic pressure.
vi. **Hypothesis testing** confirmed a significant relationship between fuel subsidy removal and both profitability and customer patronage.

These findings align with existing literature that highlights the vulnerability of informal sector businesses to sudden policy changes, especially those affecting core operating costs.

5.2 Conclusion

This study has critically examined the impact of fuel subsidy removal on Small and Medium Enterprises (SMEs), using Okada operators in Ilorin as a case study. The findings provide clear evidence that the removal of fuel subsidies has significantly disrupted the economic stability of Okada operators by increasing operational costs and reducing daily income and customer patronage.

The research revealed that a large proportion of operators now struggle to maintain profitability, with many forced to work longer hours, raise fares, or adopt risky coping strategies. Despite these efforts, half of the respondents are considering leaving the business altogether, a sign of deep economic strain in the informal transport sector.

The hypothesis tests confirmed that fuel subsidy removal has a statistically significant impact on both the profitability and customer base of Okada riders. These outcomes align with broader concerns in literature that sudden economic reforms without adequate cushioning mechanisms can negatively affect informal sector workers who form a large portion of Nigeria's workforce.

In conclusion, while the removal of fuel subsidies may serve long-term macroeconomic goals, it imposes immediate and severe burdens on low-income entrepreneurs, particularly those in the informal transport sector. Addressing these challenges requires deliberate policy responses aimed at protecting the livelihoods of affected groups and ensuring that economic reforms do not widen inequality or worsen poverty.

5.3 Recommendations

Based on the findings, the following recommendations are proposed:

1. Government should implement relief programs (e.g., transport fuel vouchers or conditional cash transfers) for Okada operators and other vulnerable SMEs.
2. Microfinance institutions should collaborate with government and unions to offer affordable financing to operators for fuel-efficient bikes or maintenance.
3. Okada operators should be empowered with alternative livelihood skills to reduce overdependence on fuel-intensive transport services.
4. Public sensitization campaigns on how to manage fuel consumption and maintain bikes for optimal performance should be organized by transport unions and regulatory agencies.
5. Future economic reforms should be phased and accompanied by strong stakeholder engagement and compensation frameworks to minimize shock to the informal sector.

5.4 Suggestions for Further Studies

Future research can expand on this study by:

1. Comparing the effects of fuel subsidy removal on different categories of SMEs (e.g., traders, artisans).
2. Examining gender-specific impacts within the Okada sector.
3. Conducting longitudinal studies to track changes over time post-subsidy removal.

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