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CONTEXTUAL AND CONTEMPORARY EFFECT OF THE RECENT REMOVAL OF FUEL SUBSIDY ON SMALL BUSINESS: ACCOUNTING, BANK LOAN AND PERFORMANCE IN NIGERIA

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Abstract

To build an economy of a Nation involved both the citizens and administrators that are saddled with the responsibility to manage Nation's economy. The policies and decisions taken by the administrators and managers ought to be in line with the aspirations and expectations of the citizens of Nigeria, as to the citizens' expected benefits. The recent

removal of fuel subsidy by the current Nigeria government of President Ahmed Tinubu called for serious attention and concern. Small business: accounting system, bank loan and performance had been of concern. This study investigated the contextual and conceptual effect of this recent fuel subsidy removal on small business accounting system, approach for bank loan and how the performance of these small businesses had been so far. The study adopted the descriptive survey design with population of 980. However, 865 responses were collected from small business investors that had accounting system, enjoyed bank loan and had performed business for over three years. . The age bracket of the respondents ranged from thirty-five years and above. The source of data for this research was primary with a self-administered questionnaire as the instrument for the data collection. The questionnaire used for this study was in five-point Likert-scale, validated by four senior lecturers in a closely related field. Linear regression method was adopted for data analysis employed; test the hypotheses which investigated the contextual and conceptual effect of recent removal of fuel subsidy at it affected small business accounting system, approach to bank loan and small business performance. Finding revealed that the recent removal of fuel subsidy by the current government had greatly, negatively, and significantly affected small business ways of accounting system, discouraged them to approach banks for loan and their performance had dwindled to the negatives. The small business had been forced into backward adjustment of their accounting system, found it difficult to approach banks for loan, and their performances had dwindled with very low patronage by customers. The study concluded that the government had all the opportunities to in the short run take decisions and make policies not detrimental to the citizens of Nigeria but never took a second thought before implementation of the removal. Recommendation was the current government should reverse to fuel subsidy immediately for small business to improve its accounting system, access bank loan and improve performance.

Key: Fuel, Subsidy, Small, Business, Accounting, Bank, Loan, Performance

Introduction

It is significant to notice that in any given country, certain policies are taken to possibly grow the economy of the Nation. These policies if not properly scrutinized and though properly, it may likely backfire. This is not an exception to Nigeria where various governments in power rolls out policies they think would grow the economy of the country without properly undertaking strategic approach before the policies are rolled out. Of notice was the pronouncement made after the swearing in of President Bola Ahmed Tinubu on May 29, 2023, in his inaugural speech, immediately announced the removal of subsidy on petroleum products. The decision led to a steep rise in fuel prices and widespread panic-buying of fuel. Small businesses gradually tried to understand the dynamics of this removal that even bus companies have been unable to refuel their vehicles, leaving many people stranded.

One would then say, the impact of this removal would change the dynamics how individuals and various sectors of businesses will execute their activities. One of these business sectors, of great concern to this study is the small business. The elimination of fuel subsidy brings both challenges and opportunities. The withdrawal of fuel subsidy led to a 150% to 200% surge in fuel costs (N 500 – 600) across the country. The Small and Medium-sized Enterprises (SMEs) are currently facing difficulties in accessing affordable power to grow their businesses. Individuals and businesses have reasons to lament. It is expected that majority of the countries could remove all fossil fuel subsidies to meet their human rights obligations in the context of the climate crisis, but this should not be done undermines the ability of small businesses grow the performance of their businesses.

Looking at the contextual and contemporary, effects, Obiora and Ozili (2023) posited some insight into the macroeconomic and microeconomic implications of the 2023 fuel subsidy removal in Nigeria where they analysed the positives and negatives of the subsidy removal. According to Obiora and Ozili (2023), the positive implications are that fuel subsidy removal would free up financial resources for other sectors of the economy, incentivize domestic refineries to produce more petroleum products, reduce Nigeria's dependence on imported fuel, increase employment, channel funds for the development of critical public infrastructure, reduce the budget deficit and generate a budget surplus in the near future, reduce government borrowing, curb corruption associated with fuel subsidy payments, increase competition, reinvigorate domestic refineries and reduce pressure on the exchange rate. However, at the negatives implications, they mentioned that the fuel subsidy removal may decrease economic growth in the short term, increase inflation, increase poverty, increase fuels smuggling, increase crime, increase the prices of petroleum products and loss of jobs in the informal sector.

Nwaogwugwu,, Vincent, , Wale-Awe, Mesagan, and Ojapinwa, (2023), in their discussion mentioned that the attempts to remove petrol subsidy by previous governments heralded protests and stiff opposition. But the very time Bola Tinubu was sworn in as the President of Nigeria, he immediately announced the removal of subsidy on petroleum products. This pronouncement has the contextual effect where all the refineries in Nigeria are non-functional, collapsed and abandoned, which resulted in the continuous importation of refined petroleum products. The implication, they mentioned was that it does not augur well with the generality of the economy of the country, vis a vis, the small business could be affected.

Despite the recent passing of the Petroleum Industry Act (PIA), the development of the oil and gas downstream sector has not reached the desired levels. Until now, the existing subsidy system and legal framework in the downstream sector tend to discourage small business investments.

It is good to notice that President Bola Tinubu's decision on the removal of fuel subsidy has some significant effects on millions of Nigerians, with some traumatic experiences, affecting their daily lives. Many are concerned that they will be unable to meet the costs of education, food and healthcare. In fact, the small business have therefore course to adjust their accounting system, accessibility of bank loans and their performance growth levels.

OBJECTIVES OF THE STUDY

The aim of this study was to contextually and contemporarily investigate;

1. The effect of the recent removal of fuel subsidy on small business accounting system in Nigeria
2. The effect of the recent removal of fuel subsidy on small business bank loan approach in Nigeria,
3. The effect of the recent removal of fuel subsidy on small business performance in Nigeria

HYPOTHESES

Based on the objectives of the study, the following hypotheses were formulated in null form:

1. H_0: Removal of fuel subsidy has no significant effect on small business accounting system in Nigeria.
2. H_0: Removal of fuel subsidy has no significant effect on small business bank loan approach in Nigeria.
3. H_0: Removal of fuel subsidy has no significant effect on small business performance in Nigeria.

EMPIRICAL REVIEW

Ojeme, Okatahi, and Aliyu (2021) posited that the issue of fuel subsidy removal has been a re-occurring decimal with its effect on the generality of the economy of Nigeria particularly, the ordinary man in the society as well as small businesses. The small business which is the engine room of the economy if negatively affected with the removal of fuel subsidy has great effect in the business activities of the small business.

Small businesses, which are the main stay and backbone of the Nigerian economy, play a crucial and vital role in various economic spheres in Nigeria. If any success is to be achieved at all, the government needs to work closely with small business investors to map out comprehensive strategies and policies that would support the accounting system, bank loan approach and performance of small businesses, ensuring their sustainability in the face of economic challenges.

Yahuza, D. I., Nura, T. W. and Uba, A. (2024) posited that government at all levels should as a matter of urgency review the policy of subsidy removal and to provide a well-structured palliatives to alleviate the sufferings of the citizenry, among others. Also Edime, Y., Yusuf, Y. and Yakubu, A. E. (2023), in their study resolved that, due to the implication of the removal of fuel subsidy, rural areas have electrification, there be increase in the minimum wage of workers, and there should be food importation/distribution including other feasible palliatives that they government could provide among others to alleviuate the sufferings of the masses in Nigeria..

Siddig, Aguiar, Grethe, Minor, and Walmsley (2014) emphasized that by the reduction in the subsidy results in an increase in Nigerian GDP, there could be detrimental impact on the citizens' income, specifically, on the poor households. They recommended that with the availability with income transfers aimed at poor households or domestic production of petroleum products, this could alleviate the negative impacts on household income.

METHODOLOGY

The study adopts the Positivism philosophy. Reason is that it provides independency of the observer, value-free approach to science, focus on facts, causalities and fundamental laws. Babajide (2012) adopted the positivism philosophy. The circumstance surrounding the adoption of the survey design by Babajide (2012) properly gathered data with empirical views microfinance effect on micro and small enterprises (MSEs) performance in Nigeria. Inductive research approach is usually associated with a phenomenology philosophy. More so, concepts have to be operationalized and depend on quantifiable observations that lead to statistical analysis.

This study adopted the descriptive survey design with population of 980. However, 865 responses were collected from small business investors that had accounting system, enjoyed bank loan, performed some level of successes, and had performed business for over five years. . The age bracket of the respondents ranged from thirty-five years and above. The area of coverage is Jos North and Jos South of Plateau State where small business is dominant in the state. The source of data for this research was primary with a self-administered questionnaire as the instrument for the data collection. The questionnaire used for this study was in five-point Likert-scale, validated by four senior lecturers in a closely related field. The questionnaire used for this study was a five-point Likert-scale which ranges from "strongly agree" to "strongly disagree" (1 = 'Strongly Agree', 2 = 'Agree', 3 = 'Neutral', 4 = 'Disagree' and 5 = 'Strongly Disagree'). Linear regression method was adopted for data analysis employed; test the hypotheses which investigated the contextual and conceptual effect of recent removal of fuel subsidy at it affected small business accounting system, approach to bank loan and small business performance.

Jones (2014) used the survey design to investigate the effect of loan on the performance of micro and small enterprises with small business having considerable challenges on loan management, which affects performance. Ndife (2013) adopted same method in determining the impact of microcredit institutions on starting up on the survival and growth of Small and Medium Enterprises (SMEs). The source of data for this research was primary with a self-administered questionnaire as the instrument for the data collection. The questionnaire used for this study was in five-point Likert-scale, validated by four senior lecturers in a closely related field. Linear regression method was adopted for data analysis employed to test the hypothesis to investigate how small business managed bank loan for growth. Furthermore, the researcher is independent from the study and there are no provisions for human interests within the study.

This study adopts the Internal Consistency Testing (ICT) where each of the questions (variables) in the questionnaire conducted as the most convenient method for testing for the internal consistency. Calculating the reliability coefficient helped to understand such errors in testing and the Pearson's correlation coefficient applied. The formula is given as:

$$r = \frac{N\Sigma XY - (\Sigma X)(\Sigma Y)}{\sqrt{[N\Sigma X^2 - (\Sigma X)^2][N\Sigma Y^2 - (\Sigma Y)^2]}} \quad \ldots 2$$

Where:

N is the total number of pairs of test and retest scores

Y is the Independent Variable
X is the Dependent Variable

For example, the 865 respondents responded on the questionnaires test and retest, and then N is 865. Following the N is the Greek symbol sigma, which means the sum of xy means we multiply x by y, where x and y are the test and retest scores. If 865 respondents responded the test and retest, then we summed all 865 pairs of the test scores (x) and multiplied them by the sum of retest scores (y).

Decision Criterion: If the test result falls within the acceptable range of 1.0, we accept and continue the study else we change the study.

Linear regression was the method of data analysis for the data employed to test the hypothesis to see the influence of bank loan on small business finance management. Justification for this adoption is that the researcher wants to establish and predict the behavior of set of ordinal level dependent variables with an independent variable. Linear Regression Analysis applies when predicting a linear Ordinal variable. The authority for adopting this method is from McCullagh (1980).

The formular of the Linear Regression Analysis is

Small Business Successes - model

$$SBS_i = \beta_1 + \beta_2 RFS_i + u_i \quad \ldots 3$$

Where:
SBS_i = Small Business Successes
RFS_i = Removal Fuel Subsidy
β_1, = Constant term
β_2, = coefficient of Removal Fuel Subsidy
u_i = error term.

Assumptions of the Regression

- **Linear relationship:** The outcome variable Y has a roughly linear relationship with the explanatory variable X.
- **Homoscedasticity:** For each value of X, the distribution of residuals has the same variance. This means that the level of error in the model is roughly the same regardless of the value of the explanatory variable (homoscedasticity - another disturbingly complicated word for something less confusing than it sounds).
- **Independent errors:** This means that residuals (errors) should be uncorrelated.
- **Problems with outliers/influential cases:** It is important to look out for cases, which may unduly influence your regression model by differing substantially to the rest of your data.
- **Normally distributed residuals:** The residuals (errors in prediction) should be normal distributed.

For pre-data analysis, the data collected through the administration of questionnaires coded based on the range of values from the questionnaire options. It expected that the data do not

exceed the expected range. Out-of-range value test conducted. The Out of Range Value uses excel by identifying the Minimum and Maximum variables according to Excel Tips and Tricks (Pryor.com 2014).

Decision rule

Any Value within 1-5 is within range

Any Value outside 1-5 is out of range

Linear regression and normality of dependent variable: Linear Regression analysis describes and evaluates the relationships between a specified dependent variable and one or more independent variables. We then conclude that regression is an appropriate statistical method in order to confirm or disconfirm the chosen hypotheses. An important assumption for a valid regression elaborated and tested in order to ensure that the final regression model is not flawed.

One important assumption of the regression analysis is that the dependent variable be normal distributed. To describe a symmetrical, bell-shaped curve, the greatest frequency of scores around in the middle combined with smaller frequencies towards the extremes (Pallant, 2005). The regression in this study has one dependent variable Small Business Successes (SBS) while Removal of Fuel Subsidy is the independent variable. If the dependent variables are not normally distributed, there is little point in performing regression analysis because a major assumption of the model is broken. The dependent variable calculated by using the mean of their items that measured it.

Also in this study, correlation applied to test if there are excessive correlations in the variable in the model.

The formula given as:

$$r = \frac{N\Sigma XY - (\Sigma X)(\Sigma Y)}{\sqrt{[N\Sigma X^2 - (\Sigma X)^2][N\Sigma Y^2 - (\Sigma Y)^2]}}$$

Where:

N is the total number of pairs of test and retest scores

Y is the Independent Variable

X is the Dependent Variable

In this study, the hypotheses tested used the Regression Analysis:

H_0: Removal of fuel subsidy has no significant effect on Small Business Accounting System in Nigeria.

Test Statistic: Simple Linear Regression Analysis

Formula:

$SBAS_i = \beta_1 + \beta_2 RFS_i + u_i$ …2

Where:

$SBAS_i$ = Small Business Accounting System

RFS_i = Removal Fuel Subsidy

β_1, = Constant term

β_2, = coefficient of Removal Fuel Subsidy
u_i = error term.
P-value = Calculated value

H_0: Removal of fuel subsidy has no significant effect on Small Business Bank Loan Approach in Nigeria
Test Statistic: Simple Linear Regression Analysis
Formula:
$SBBLA_i = \beta_1 + \beta_2 RFS_i + u_i$ …2
Where:
$SBBLA_i$ = Small Business Bank Loan Approach
RFS_i = Removal Fuel Subsidy
β_1, = Constant term
β_2, = coefficient of Removal of Fuel Subsidy
u_i = error term.
P-value = Calculated value

H_0: Removal of fuel subsidy has no significant effect on Small Business Performance in Nigeria.
Test Statistic: Simple Linear Regression Analysis
Formula:
$SBP_i = \beta_1 + \beta_2 RFS_i + u_i$ …2
Where:
SBP_i = Small Business Performance
RFS_i = Removal Fuel Subsidy
β_1, = Constant term
β_2, = coefficient of Removal of Fuel Subsidy
u_i = error term.
P-value = Calculated value

Decision Rule: Reject Ho if $P<0.05$
Accept Ho if $P>0.05$
The decision rule is that if the p-value is less than the level of significance of 0.05, the null hypothesis be rejected, while the alternate hypothesis is accepted. However, if the p-value is greater than the level of 0.05, accept the null hypothesis and reject the alternate.
Data
The data for estimation presented in table 2.

Table 1- Raw Data
SMALL BUSINESS AND REMOVAL OF FUEL SUBSIDY

QUESTION	STRONGLY AGREE	AGREE	NEUTRAL	DISAGREE	STRONGLY DISAGREE	TOTAL
SBAS	244	128	217	146	130	**865**

SBBLA	201	165	237	176	86		**865**
SBP	198	232	142	265	28		**865**

Table 2

Regression result: Removal of Fuel Subsidy on Small Business: Accounting System, Bank Loan Approach and Performance

		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.567	.198		25.256	.000
	RFS	.555	.068	.533	9.76	.000

a. Dependent Variable: SBAS, SBBLA and SBP

Source: SPSS 25.0

Interpretation

As shown in Table 2, the standardized regression result for removal of fuel subsidy on Small Business: Accounting System, Bank Loan Approach and Performance is 0.555. This means that removal of fuel subsidy (RFS) has a negative and significant influence on small business: Accounting System, Bank Loan Approach and Performance (SBAS, SBBA and SBP). It implies that the implementation of removal of fuel subsidy (RFS), will lead to negative influence in the level of Small Business: Accounting System, Bank Loan Approach and Performance (SBAS, SBBA and SBP). A 1% increase in the level of removal of fuel subsidy (RFS) will bring about a 55.5% increase in the negative influence on Small Business: Accounting System, Bank Loan Approach and Performance (SBAS, SBBA and SBP)

Decision

Given that the p-value 0.000 is less than the significance level of 0.05 as shown in Table 2, we reject the null hypotheses. This hypotheses state that:

H_0: Removal of fuel subsidy has no significant effect on small business accounting system in Nigeria.

H_0: Removal of fuel subsidy has no significant effect on small business bank loan approach in Nigeria.

H_0: Removal of fuel subsidy has no significant effect on small business performance in Nigeria

While the alternate hypotheses are accepted meaning that Removal of Fuel Subsidy has a significant influence on small business: accounting system; bank loan approach; and performance in Nigeria.

DISCUSSION OF findings

Based on the findings of the analysis, we rejected the null hypotheses and did not fail to accept the alternate hypotheses that states: Removal of fuel subsidy has no significant effect on small business accounting system in Nigeria; Removal of fuel subsidy has no significant effect on small business bank loan approach in Nigeria, and Removal of fuel subsidy has no

significant effect on small business performance in Nigeria. Therefore, these hypotheses hold meaning that as with the government removal of fuel subsidy, the small business are faced with negative challenges of adjusting their accounting system, bank loan approach, and performance. This is not a good omen on influencing the growth of the small business in terms of accounting approach, small business approaching banks for loan and small business general performance.

The finding agrees with the finding of Ojeme, J. O., Okatahi, A., and Aliyu. T. (2021) which showed that implementing the policy of removal of fuel subsidy has general negative performance in the activities of small business. The research, therefore, satisfies the hypotheses that removal of fuel subsidy has no positive influence in the business small business perform affecting their accounting system, inability to access bank loans and their general performance in Nigeria.

CONCLUSION

The study concluded that the government had all the opportunities to in the short run take decisions and make policies that would not be detrimental to the citizens of Nigeria but never took a second thought before implementation of the removal. This issue of removal of fuel subsidy at this point is not palatable at all.

RECOMMENDATION

We recommend that the current government of President Tinubu should reverse to fuel subsidy immediately. So that small businesses would improve their accounting system that is now in disarray, access bank loan because it is difficulty funding business now, and they should take all means for the small business to improve performance.

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