APPRAISAL OF FUEL SUBSIDY REMOVAL POLICY AND SMEs PERFORMANCE IN THE FOURTH REPUBLIC: A CASE STUDY OF WATER PROCESSING FACTORY IN ANYIGBA, KOGI STATE, NIGERIA

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Abstract

The study appraised the impact of fuel subsidy removal on the performance of small scale businesses in the fourth Republic, using five purposively selected pure water processing factories in Anyigba, Kogi state, Nigeria. The broad objective was to ascertain the relationship between the fuel subsidy removal and the performance of the selected water factories in the study area. The study employed primary data sourced through well-structured questionnaires as the data collection procedure and technique. The questionnaires were administered to 168 personnel of the factories. Descriptive statistical technique tools such as frequency table and cumulative percentages were used to present and analyze the data, while the Chi-Square technique was employed to test for the hypothesis. The result revealed that the fuel subsidy removal has significant impacts on the performance of the water factories, and based on these findings, it is concluded that fuel subsidy removal policy of the government has a significantly negative impact on small scale businesses in Anyigba, Kogi State. The study thus recommended among others, that the Federal Government should ensure that the Subsidy Reinvestment Programmed (SURE- P) meet the targeted small scale business owners. By this, a special monitoring committee should be set up and mandated to follow up and evaluate the performance of the program

Key words: Fuel subsidy, SMEs Performance and Water Processing

Introduction

Small and Medium Scale Enterprise (SMEs) plays a very vital role in the economic growth and development of any nation. It is an antidote for rapid socio-economic development, providing about 70% employment to able Bodies men and women around the world. Small and medium scale enterprise encourage indigenous entrepreneurship, regional economic balance through industrial dispersal, including rural areas, moderation of rural-urban migration and production of international goods for use in large enterprises, around the world. In Nigeria, it is now realized that large scale enterprises left alone would not be able to fast tract the needed development and growth challenges that project Nigeria as one of the 20 most viable economics very imperative for the orderliness in the development of the SMEs in order to take care of especially the development needs and harnessing of the thought insignificant raw materials, transformed into the production of goods that can serve the very urgent needs of the entire middle and lower classes in Nigeria. Despite the realization that SMEs are the growth engine of the nation's economy, policies in relation to enhancing a boost in SMEs, if implemented will ultimately support the revival of this sector.

Osogie (2012) argued that fuel subsidy is the fund used by the government to keep down the price of fuel. This resulted in a pump price of #65/liter, low cost of transportation and reduction in the growth rate of inflation. The Small Scale Businesses (SSBs) are not left of; Oyedele (2012) identified Small Scale Businesses as the most beneficiaries

of fuel subsidy. This has led to the growth of SSBs in Nigeria in recent times. As observed by Yemi (2003) small scale business constitutes 85% of all firms operating in the economy. The huge benefits of subsidy on fuel had its cost and social implications. There was an increase in budget deficit because of the increasing cost of financing the subsidies. Also, there were cases of large scale corruption in the oil industry that created artificial scarcity thus making the impact of fuel subsidy not to be felt. The Good luck's administration, in attempt to curb these abnormalities in the oil industry announced the removal of fuel subsidy on the 1st of January 2012. This was to free up a total of #1.134 trillion to be reinvested into other sectors of the economy such as infrastructure, agriculture, health etc. (Nwosu 2009). The subsidy removal has generated heated debates across the various tiers of government, the academia, petroleum marketers and the masses who took to the streets in protest. The subsidy removal brought an increase in price from #65/liter to #140/liter, over 100% increase in price.

Small and medium scale business in Nigeria has suffered a lot of challenges that has inhibits growth and development over the years of which water processing industry is not an exception to these industries, its challenges varies from one region to another, but has its general determinants variable for execution to entail finance, location, raw materials, power supply, labor and market, others includes climate, government policies etc. In developing countries, like Nigeria, the processing industry is a very important sector of the economy. It plays critical role in a nation's economy such as Nigeria because of the transient trend in national growth. The rapid growth in the country's economy and population requires additional physical infrastructures to accommodate additional various component of the Gross National Product (GDP). These physical infrastructures include processing industries, manufacturing, residential and commercial buildings, agricultural and health facilities to mention a few on the other hand requires the integration of engineering, project, and production management techniques (Ko, 2011) to provide. Water processing industry in Nigeria today is a very good business, although it requires a huge amount of money to run, but highly profitable when fully engaged. The paper attempt to examine how fuel subsidy removal policy affects performance in the fourth republic with reference to water processing factory in Anyigba, Kogi state, Nigeria

Methodology

The methodology for the study is mainly of field survey. And due to the uncertainty of the total population of water factories in the study area, purposive sampling technique was adopted to select five (5) water processing factories in the town, to serve as small scale business venture in this study. The selected water factories are: Dikubs Water Factory, Shilow Water Company, Ashoe Water Company, Heritage Waters Limited and KSU Water Packaging and Processing Venture. And as regard the sampling size, a sample of 68 respondents will be drawn, based on judgmental sampling approach to form the sampling size from the five sampled water factories. Thus, 68 questionnaires will be administered to the respondents. Descriptive and inferential statistical tools such as tables and percentages was used to present and analyze the data, while Chi-square technique was employed to test the possibility of any relationship between fuel subsidy removal and performance of the factories.

The Chi-square formula is given as

$$X^2 = \sum \frac{(O - E)^2}{E}$$

Where:

O = Observed Frequency

E = Expected Frequency

∑ = Summation sign (Sigma), and

X^2 = Chi-square

## Presentation of Results and Discussion

A total of 68 questionnaires were administered to the selected respondents in the following order; 12, each, to personnel's of Dikubs Water Factory, Shilow Water Company, Ashoe Water Company and Heritage Waters Limited respectively, while 20 questionnaires was administered to personnel's of KSU Water Processing & Packaging Venture, and of this total, 6 questionnaires were discarded because they were not properly answered. Hence, 62 questionnaires were accurately answered and analyzed; which represents a response level of 91.2%. More specifically, 12, 11, 12, 12 and 15 were from respondents of Dikubs Water Factory, Shilow Water Company, Ashoe Water Company, Heritage Waters Limited and KSU Water Packaging and Processing Venture respectively.

Table 1: Sex Distribution of the Respondents

SEX	Factory A	Factory B	Factory C	Factory D	Factory E	FREQUENCY	CUMM %
	F	F	F	F	F		
MALE	08	07	8	10	09	42	68
FEMALE	04	04	04	02	06	20	32
TOTAL	12	11	12	12	15	62	100

Source: Field Survey, 2018

Gender Distribution of Respondents
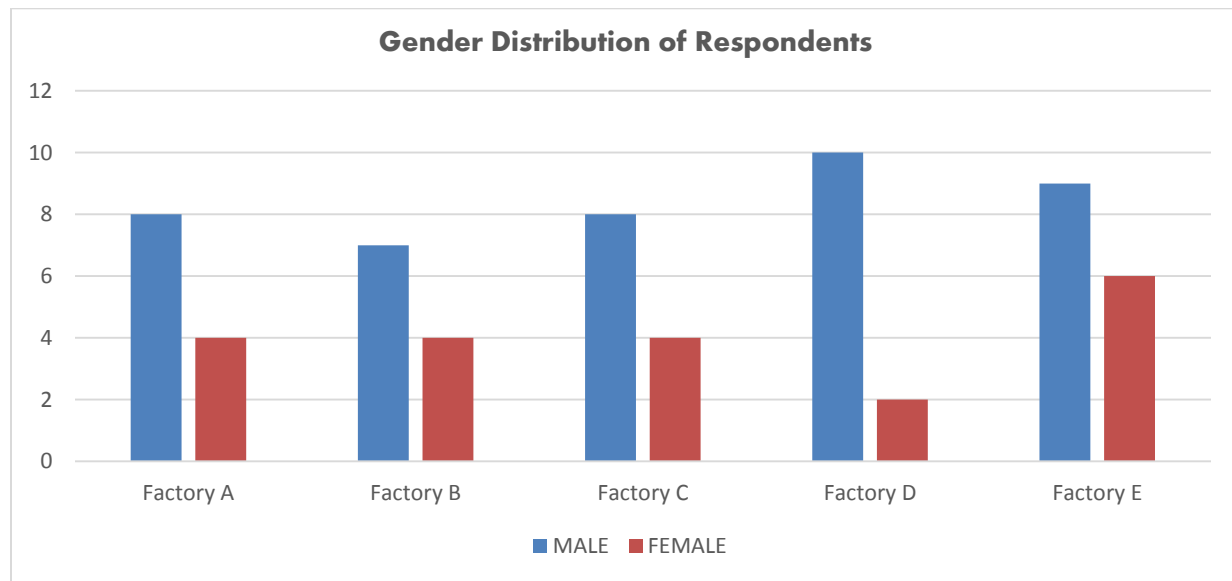
*Note

Factory A represents Dikubs Water Factory
Factory B represents Shilow Water Company
Factory C represents Ashoe Water Company
Factory D represents Heritage Waters Limited
Factory E represents KSU Water Packaging and Processing Venture

In table 1 above, out of 62 respondents 68% were males while 32% were females. Thus, the majority of the respondents were males. This thus implies that, males constitute majority of personnel of the water factories.

Table 2:   Age Distribution of Respondents

AGE BRACKET	Factory A	Factory B	Factory C	Factory D	Factory E	FREQUENCY	CUMM %
	F	F			F		
Below 30 years	06	03	05	04	04	22	35
31 – 40	04	07	05	06	09	31	50
41 – 50	01	01	02	01	01	06	10
Above 51 years	01	0	0	01	01	03	5
TOTAL	12	11	12	12	15	62	100

Source: Field Survey, 2018
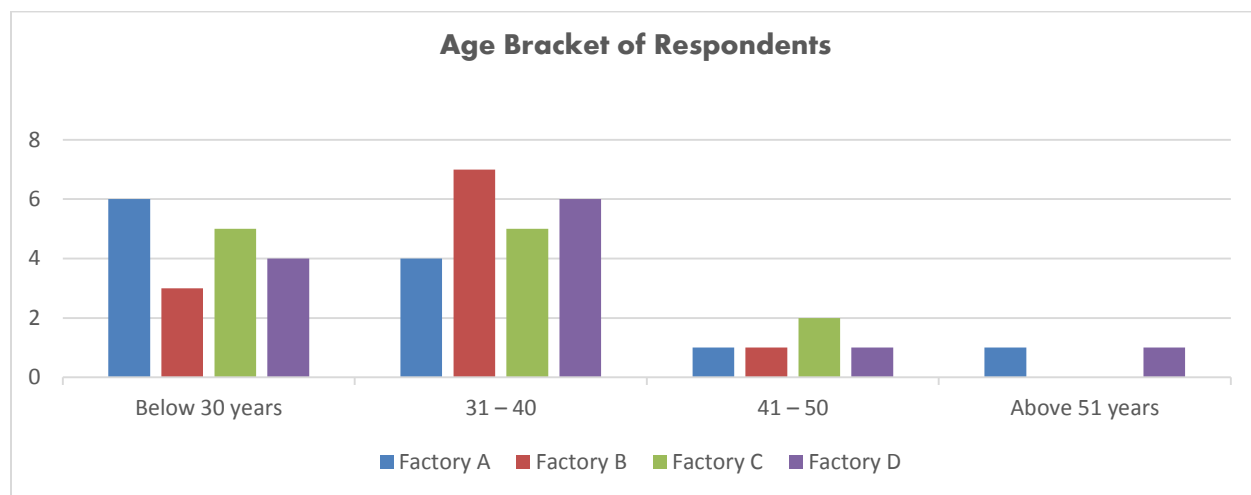
From table 2 and figure above, it is evident that out of 62 respondents 53 or 85% were below 40 years, and 6 respondents representing about 10% of the total respondents were within the age bracket 41 to 50 years, while a total of 3 respondents representing about 5% were above 51 years. The finding thus revealed that over 85% of the personnel of the water factories were below 40 years of age, which implies that majority of the workforce of small scale businesses in Anyigba are in their active age.

Table 3: Years of experience at the Factory

Years of Experience	Factory A	Factory B	Factory C	Factory D	Factory E	FREQUENCY	CUMM %
	F	F	F	F	F		
0-2 Years	07	04	06	06	05	28	45
3-5 Years	05	06	03	02	10	26	42
6-8 Years	0	01	03	03	0	07	11
Above 8 Years	0	0	0	01	0	01	2
TOTAL	12	11	12	12	15	62	100

Source: Field Survey, 2018

From the table above, it is evident that 28 and 26 respondents representing 45% and 42% each have had 0-2 years and 3-5 years' experience working in the water factories respectively, while 11% and just about 2% have 6-8 years and above 8 years' experience with the factories. It thus implies that over 45% of the personnel have had a minimum of 2 years' experience working in the water factories. Thus the respondents are in position of providing valid responses as regard the influence of fuel subsidy removal on the operations of the factories.

Table 4: Distribution of Respondents according to Departments/Units

Departments/Units	Factory A	Factory B	Factory C	Factory D	Factory E	FREQUENCY	CUMM %
	F	F	F	F	F		
Production	05	04	04	03	07	23	37
Packaging	02	03	02	02	03	12	19
Sales/Marketing	04	02	0	0	03	09	15
Accounting	01	01	02	02	02	08	13
Transportation	0	01	04	05	0	10	16
Procurement	0	0	0	0	0	0	0
TOTAL	12	11	12	12	15	62	100

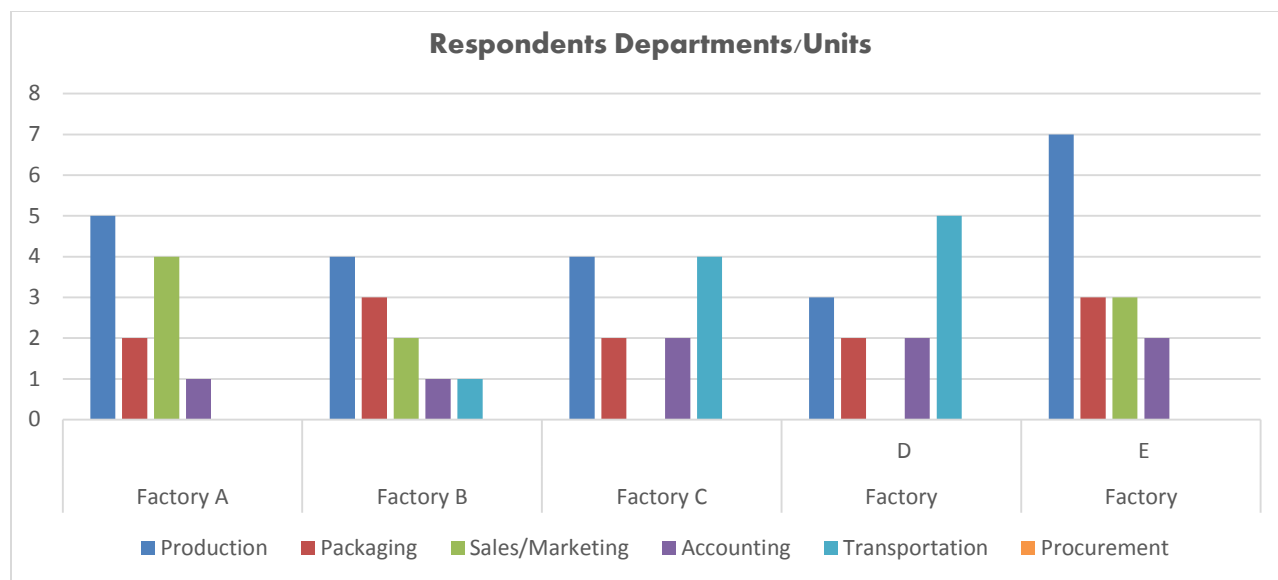**Source:** Field Survey, 2018

Respondents Departments/Units

Table 5 and figure above presents the department/units distribution of the respondents. 23 respondents (37%) of the respondents work under the production department, 12 respondents representing about 19% are in the Packaging department, 15% works under the sales and marketing department, while 13% are in the Accounting department and about 16% works under the transportation department.

Table 6: Distribution of Respondents on the awareness of Fuel Subsidy and its Removal Policy in Nigeria

RESPONSE	Factory A	Factory B	Factory C	Factory D	Factory E	FREQUENCY	CUMM %
	F	F	F	F	F		
YES	09	09	12	12	15	59	95
NO	01	02	0	0	0	03	5
TOTAL	12	11	12	12	15	62	100

Source: Field Survey, 2018

Respondents Awareness of Fuel Subsidy and its Removal Policy
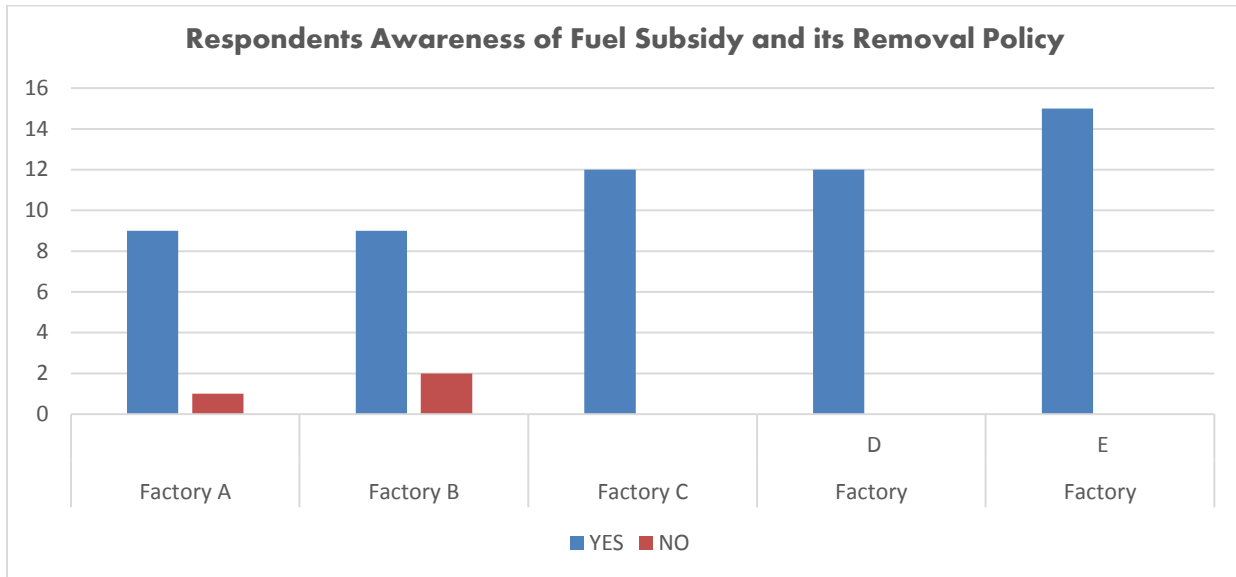
From the above table, 59 respondents representing 95% of the total respondents are aware of the concept of fuel subsidy and its removal policy, while only 3 respondents do not know about the concept and its removal policy in Nigeria. This thus implies that majority of the respondents are capable of providing valid response(s) to how the fuel subsidy removal policy has impacted the operations of the factories; since they are familiar with the fuel subsidy concept.

Table 7: Distribution of Respondents on support for Fuel Subsidy Removal Policy of the Government

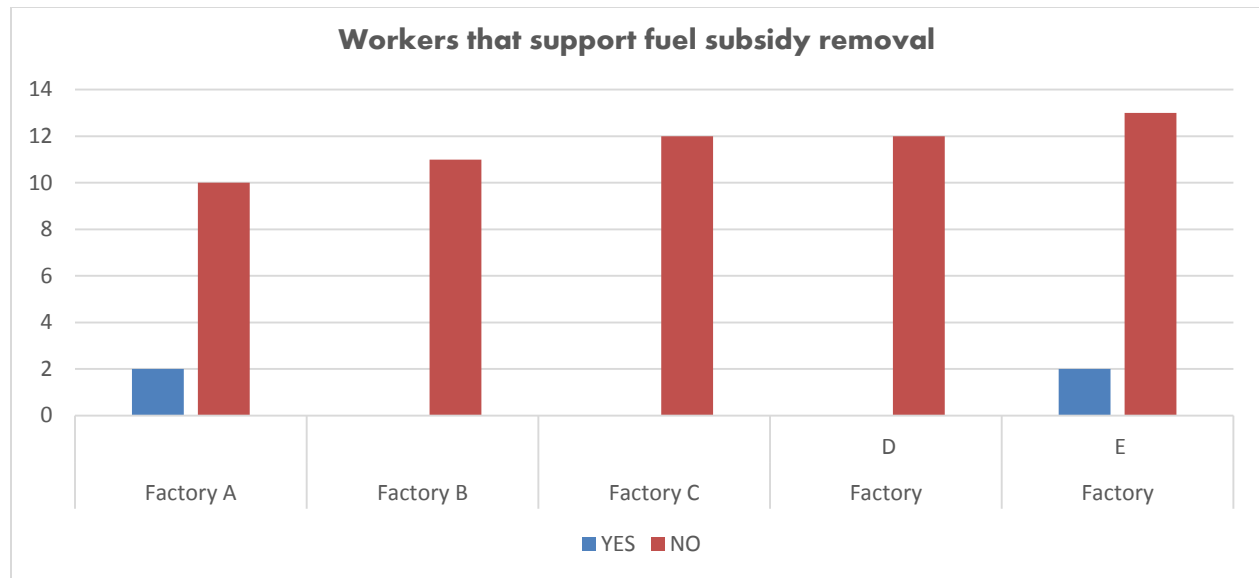| RESPONSE	Factory A	Factory B	Factory C	Factory D	Factory E	FREQUENCY	CUMM %
	F	F	F	F	F		
YES	02	0	0	0	02	O4	6
NO	10	11	12	12	13	58	94
TOTAL	12	11	12	12	15	62	100

Source: Field Survey, 2018

Table 7 and figure presents the distribution of respondents on their position on fuel subsidy removal policy. From the table, 4 respondents representing about 6% of the total respondents are in support of the policy, while about 58 or 94% of the respondents are not in support of the removal. This thus implies that majority of the respondents do not support the fuel subsidy removal policy of the government.

Table 8: Distribution of Respondents on effect of fuel subsidy removal policy on operations of the water factories

RESPONSE	Factory A	Factory B	Factory C	Factory D	Factory E	FREQUENCY	CUMM %
	F	F	F	F	F		
YES	09	11	09	12	07	48	77
NO	03	0	03	0	08	14	23
TOTAL	12	11	12	12	15	62	100

Source: Field Survey, 2018

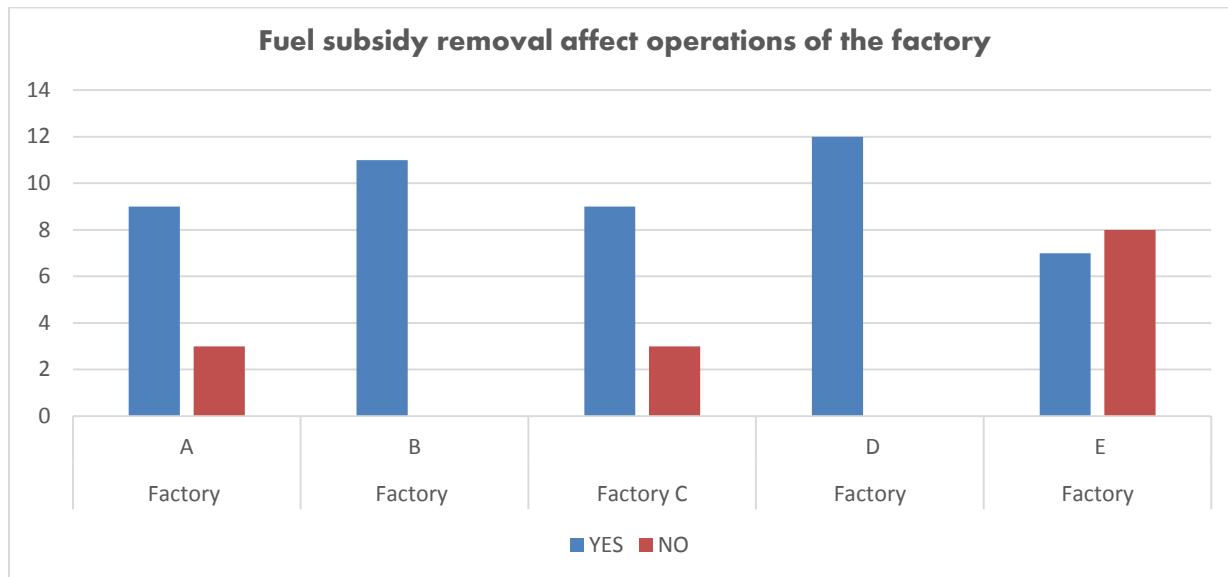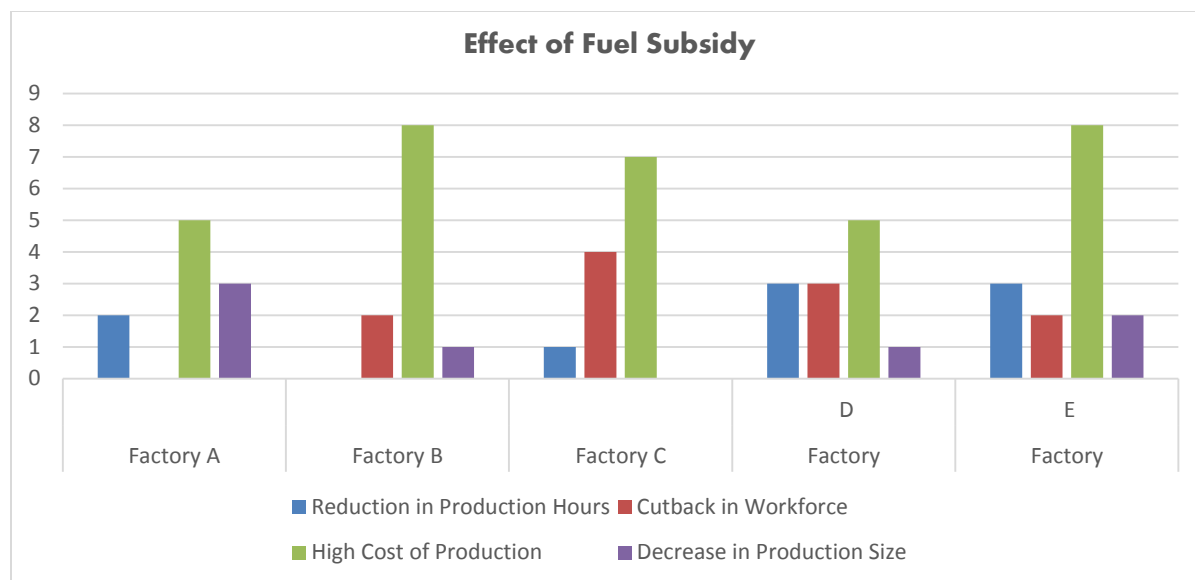**Fuel subsidy removal affect operations of the factory**

Table 8 presents respondent's responses on the effect of fuel subsidy removal on operations of the water factories. Specifically, over 77% of the respondents were strongly of the opinion that the removal of fuel subsidy has affected the operations of the water factories, while just about

23% are of the opinion that the policy has not really affected the operations of the factories. This thus implies that operations of the sampled factories have been affected by the fuel subsidy removal policy.

Table 9: Distribution of Respondents on ways the fuel subsidy removal policy has affected the operations of the water factories

RESPONSE	Factory A	Factory B	Factory C	Factory D	Factory E	FREQUENCY	CUMM %
	F	F	F	F	F		
Reduction in Production Hours	02	0	01	03	03	09	15
Cutback in Workforce	0	02	04	03	02	13	21
High Cost of Production	05	08	07	05	08	33	53
Decrease in Production Size	03	01	0	01	02	07	11
TOTAL	12	11	12	12	15	62	100

Source: Field Survey, 2018

Effect of Fuel Subsidy

The above table and figure shows the distribution of the respondents on ways the fuel subsidy removal policy has affected the operations of the water factories. From the table, about 33 respondents representing about 53% of the total respondents indicated the removal of fuel subsidy has resulted into high cost of production for the factories, 15% indicated that the removal has led to reduction in production hours of the firms, and about 11% also indicated that the removal has led to a decrease in production size of the firms respectively, while, 21% indicated a cutback in workforce as a result of the subsidy removal.

Hypothesis Testing
(H_o): Fuel subsidy removal has no significant impact on operations of small scale enterprises in Anyigba, Kogi State.

(H_1): Fuel subsidy removal has significant impact on operations of small scale enterprises in Anyigba, Kogi State.

And, in testing for the hypothesis, the tables 8 above were utilized as thus:

Table 10: Modified version of table 8

RESPONSE	Factory A	Factory B	Factory C	Factory D	Factory E	COLUMN TOTAL
	F	F	F	F	F	
YES	09	11	09	12	07	**48**
NO	03	0	03	0	08	**14**
ROW TOTAL	**12**	**11**	**12**	**12**	**15**	**62**

Source: Authors' arrangement based on Field Survey, 2018

Table 11: Contingency Table

Observed Frequency(fo)	Expected Frequency(fe)	fo-fe	$(fo-fe)^2$	$(fo-fe)^2/fe$
09	9.2	-0.2	0.04	0.00434783
11	8.5	2.5	6.25	0.73529412
09	9.3	-0.3	0.09	0.00967742
12	9.3	2.7	7.29	0.78387097
07	11.6	-4.6	21.16	1.82413793
03	2.7	0.3	0.09	0.03333333
0	2.4	-2.4	5.76	2.4
03	2.7	0.3	0.09	0.03333333
0	2.7	-2.7	7.29	2.7
08	3.5	4.5	20.25	5.78571429

$\sum X_i^2 =$ 14.3097092

Source: Authors' computation based on Field Survey, 2018

DF = (R-1) (C-1)
  = (2-1) (5-1)
  = 4
X_i^2 tab= 9.488

X_i^2 cal. = 14.31
X_i^2 tab = 9.488

Decision Rule: Reject Null Hypothesis if calculated value of (X^2) is greater than the critical value and accept Null Hypothesis if calculated value of (X^2) is less than the critical value.

The result of the Chi-Square shows that X^2 cal. > X^2 tab. The decision is thus to reject the null hypothesis and agree with the alternative hypothesis that fuel subsidy removal has significant impact on the operations of small scale enterprises in Anyigba, Kogi State.

Conclusion of Study
The major objective of this research is to investigate the impact of fuel subsidy removal on small scale businesses in Nigeria. Based on the findings, it is concluded that the removal of fuel subsidies has a significantly negative impact on small scale businesses. The removal of fuel subsidy had significantly resulted into cutback in workforce, high cost of production and even decrease in production size and ultimately reduction in profit.

Recommendations
Based on the results of this research and in view of the suggestions of the respondents on ways the impact of fuel subsidy removal can be cushioned to improve the operations and performance of the water factories; the following recommendations are put forward:

a. The federal government should also ensure that the Subsidy Reinvestment Programmed (SURE- P) meet the targeted small scale business owners. By this, a special monitoring committee should be set up and mandated to follow up and evaluate the performance of the program.

b. The federal government should provide some form of market protection for small scale businesses, so that their owners are not adversely affected by the deregulation of the petroleum industry.

c. The government should work on efficient electric supply in both the rural and urban areas to cut the high cost of energy supply, as well as developing other sources of energy like solar and bio-gas.

d. The government should put up policies that would enhance the accessibility of small business owners to credit facilities to boost their performance.

e. The government should pursue the development of critical infrastructures like road, bridges, drainages and warehousing facilities, which added significant cost to the business owners.

f. Since the financing of Small and Medium Scale Enterprises are seen as growth boosters, and hence industrialization, it is important that the government concentrates on financing small businesses in the senatorial district which inadvertently creates employment for the teeming youths.

g. More water, electricity infrastructures etc, should be provided for the populace of the local governments as the research findings show that villages and towns do not have these prerequisites for development.

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