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FUEL SUBSIDY REMOVAL AND SMALL & MEDIUM ENTERPRISES (SMEs): COST OF RUNNING BUSINESS AND BUSINESS PERFORMANCE IN DELTA STATE, NIGERIA

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ABSTRACT

Fuel subsidy removal has become a major economic reform in Nigeria with far-reaching implications for various sectors, particularly Small and Medium Enterprises (SMEs). This study examines the impact of subsidy removal on the cost of running businesses and the overall performance of SMEs in Delta State. The research explores how the rising cost of fuel translates into increased production, transportation, and operational expenses, thereby affecting profitability, sustainability, and competitiveness. Resource Dependency Theory was used to explain how fuel subsidy removal have affected the cost of running business and business performance of Small and Medium Enterprises (SMEs) in Delta State. Simple percentage and chi- square was used to test the hypotheses while 523 sampled respondents completed a structured questionnaire that was used to collect data from respondents. The study finds that fuel subsidy removal have led to increase in the cost of running business in Delta State and this increase in cost translate to increase in prices of commodities which have affected the purchasing power of consumers thereby leading to low business patronage and hence, low business performance. The study recommend amongst others, the need to develop serviced light-industrial parks in Warri, Asaba, and Ughelli with reliable power, water, and security; link clusters to public procurement quotas and large-firm off-take agreements; and institutionalize quarterly SME cost/performance dashboards to inform rapid policy tweaks as fuel-price conditions change.

Keywords: Fuel, Subsidy, Fuel Subsidy, SMEs, Cost, Performance.

INTRODUCTION

The removal of fuel subsidy in Nigeria has continued to generate heated debates, as it remains one of the most critical economic policies with far-reaching implications on different sectors of the economy. Fuel subsidy, which served as a form of government intervention to keep the pump price of petroleum products low, has for decades been considered a social safety net aimed at cushioning the effect of high energy costs on citizens and businesses (Adogbeji & Ogbe, 2025). However, successive governments have argued that subsidy payments drained national revenue, encouraged corruption, and were unsustainable in the long run. The eventual removal of the subsidy, while perceived as a step towards economic liberalization and fiscal sustainability, has created ripple effects that directly impact households, businesses, and the overall cost of living, particularly in states such as Delta, where economic activities rely heavily on energy.

Small and Medium Enterprises (SMEs) form the backbone of Nigeria's economy, contributing significantly to employment generation, innovation, and national output (Mukoro, 2005). In Delta State, SMEs dominate sectors such as transportation, retail, manufacturing, hospitality, agriculture, and services, providing livelihoods for a large proportion of the population. These businesses, however, operate in an environment already burdened by infrastructural deficits, multiple taxation, inflation, and limited access to credit. The removal of fuel subsidy has added another layer of challenge, as it has led to an unprecedented surge in fuel prices, transportation costs, and the general cost of goods and services. SMEs that depend on petroleum products for production and distribution face higher operating costs, which threaten their sustainability and performance (Adogbeji, Okonkwo & Ushurhe, 2024).

The cost of running businesses in Delta State has become increasingly high due to the upward adjustment in the price of fuel following subsidy removal. Many SMEs rely on fuel-powered generators to compensate for erratic electricity supply, and the increased cost of petrol and diesel translates directly into higher overhead expenses. Transportation, a critical element in the supply chain, has also become more expensive, raising the cost of raw materials and distribution. These challenges have forced many SMEs to either increase the prices of their goods and services, reduce their production capacity, or cut down on their workforce, all of which negatively affect business performance and competitiveness (Adogbeji & Ogbe, 20250.

Beyond cost escalation, subsidy removal has broader implications for SME performance in terms of profitability, customer retention, and market sustainability. Consumers, whose disposable income is already squeezed by inflation and rising unemployment, struggle to patronize SMEs at the higher prices necessitated by increased operating costs. This reduces sales volume and profit margins for businesses, making it difficult for them to expand or reinvest in operations (Edet, 2023). For SMEs in Delta State, particularly those in rural and semi-urban areas where purchasing power is weaker, the subsidy removal has placed them at risk of closure or stagnation, thereby undermining their role as catalysts for economic growth and poverty reduction.

OBJECTIVE OF THE STUDY

i. Evaluate the relationship between fuel subsidy removal and the cost of running businesses in Delta State.
ii. Examine the relationship between fuel subsidy removal and businesses performance in Delta State.

RESEARCH HYPOTHESIS

i. There is no significant relationship between fuel subsidy removal and the cost of running businesses in Delta State.
ii. There is no significant relationship between fuel subsidy removal and businesses performance in Delta State.

CONCEPTUAL CLARIFICATION

CONCEPT OF FUEL

Fuel is defined as any material that can react with other substances to produce energy in the form of heat or work. It is critical to many areas of the global economy, including transportation, power generation, manufacturing, and heating. Fuels include petroleum, coal, natural gas, wood, and even radioactive materials. Fuel energy is required to power engines, generate electricity, and carry out numerous industrial activities (Adogbeji & Isonah, 2025).

Fuels are widely classified into three types: solid, liquid, and gaseous. Solid fuels like coal and wood were among the first used by humans. Because of their high energy density and simplicity of storage and delivery, liquid fuels such as gasoline and diesel are widely employed in transportation today. Gaseous fuels, such as natural gas and hydrogen, are increasingly being used in modern systems due to their clean-burning features and efficiency, particularly in power generation and household cooking (Adogbeji & Ogbe, 2025).

The concept of fuel is closely related to that of energy conversion. When a fuel is burned or undergoes a chemical or nuclear reaction, its stored energy is released and turned into something useful, such as heat or motion. This process usually involves burning in the presence of oxygen, which produces byproducts such as carbon dioxide, water vapor, and various pollutants depending on the fuel type (Adogbeji, Okonkwo & Ushurhe, 2024). Fuel efficiency is determined by several factors, including the combustion process, the design of the engine or system that uses it, and the qualities of the fuel.

CONCEPT OF SUBSIDY

The name "subsidy" is derived from the Latin word "subsidium," which means reserve soldiers, assistance, or aid. It comes from the terms "sub-near" and "sedēre," which mean "to sit." Subsidies can thus be characterized as a government handout of financial assistance intended to keep the price of a specific item steady. Subsidizing is selling a commodity at a lower cost than manufacturing; for example, a fuel subsidy entails selling gasoline at a lower cost than imports (Ogunode, Ahmed, & Olugbenga, 2023).

Adogbeji & Isonah (2025) defines subsidy as a monetary incentive provided by the government to encourage a specific sector of the economy or industry. Its primary purpose is to make the sector more competitive by lowering the price of its products. When importing countries impose customs charges, sometimes in the form of protective tariffs, this type of assistance may be provided as a countermeasure. Subsidies are designed to keep product prices below manufacturing costs. Subsidies are government spending intended to support the development of commodities and services.

According to Ebuka (2012), subsidies are essentially a type of reverse taxation—a deliberate government move designed to benefit specific economic actors, such as producers or consumers. There are numerous forms of subsidies, some of which have a direct effect on costs. Direct subsidies include grants, tax breaks, exemptions, and price limits. Others, such as legislation that benefit specific enterprises, government financing for research and development, or market interventions to boost industries such as fuel imports and manufacturing, have an indirect impact on costs or prices. Subsidies are thus classified into two types: consumer subsidies, which are usually present in developing nations such as Nigeria, and producer subsidies, which are common in rich countries.

OVERVIEW OF FUEL SUBSIDY

Fuel subsidies can be defined as the government's endeavor to compensate for the gap between the pump price of gasoline at the gas station and the actual cost of importing the commodity. So, by paying the difference, the government allows gasoline to be supplied at a lesser cost, reducing the burden on its residents, particularly those with lower means. A fuel subsidy is a government gift of financial aid used to keep petroleum product prices low (Civic Keypoint, 2023). Fuel subsidies are government discounts on the market price of fossil fuels that result in customers paying less than the current market price of fuel. When subsidies are in place, customers pay less than the market price per liter of petroleum product.

According to Adogbeji, Okonkwo, and Ushurhe (2024), fuel subsidies are the government's transfer of economic resources to consumers or producers of a good or service. The consequent motivation is to produce or consume more of a commodity than would otherwise be the case. A fuel subsidy is any government program that tries to lower the price of energy consumed by citizens in relation to what it would have been if the policy did not exist. Fuel subsidies are a government initiative intended to reduce the amount Nigerians pay for petroleum motor spirit (PMS) and vehicle gas oil (Diesel), as well as to protect citizens from crude oil volatility on the international market (Ilodigwe, 2023).

Fuel subsidies are an attempt by the government to bridge the gap between the price of gasoline at the pump and the actual cost of the product. So, by paying the difference, the government allows fuel to be delivered at a lower cost, reducing the burden on its residents, particularly those with lower means.

FUEL SUBSIDY REMOVAL

Fuel subsidy removal is the process by which the government stops paying a portion of the cost of a particular item. It entails the government refusing to pay importers or marketers in order to reduce the cost of their goods to the advantage or affordability of citizens. In the case of gasoline, it occurs when the government withdraws its aid in covering a portion of the cost of fuel so that residents can afford it. According to Adogbeji, Okonkwo, and Ushurhe (2024), the removal of fuel subsidies

stunned Nigerians because of the economic and political implications. According to Adogbeji, Okonkwo, and Ushurhe (2024), the removal of fuel subsidies stunned Nigerians because of the economic and political implications. According to Adogbeji, Okonkwo, and Ushurhe (2024), gasoline subsidies are detrimental to Nigeria's economy; nevertheless, the subsidies should have been phased out gradually to reduce the negative economic consequences of their abrupt departure.

The elimination of fuel subsidies simply implies that the government will no longer cover the gap between the pump price and the actual cost of importing petroleum (Adogbeji & Ogbe, 2025). It technically refers to the entire deregulation of the downstream industry, allowing for fierce competition from other interested investors. With the elimination of gasoline subsidies, fuel must be supplied at the current market price based on the actual cost of importation.

Adogbeji, Okonkwo, and Ushurhe (2024) defined fuel subsidy elimination as the process of terminating government financial aid for fuel, causing prices to rise to market levels. This increases gasoline prices and may have economic and societal effects. Yunusa et al. (2023) described a fuel subsidy as a part of the price that customers are required to pay to use petroleum products that is provided by the government to lessen the price burden. The Nigerian government abolished a portion of this subsidy, arguing that Nigerians' costs for petroleum goods are lower than they should be, particularly when compared to international market pricing, and will give the essential push for the Nigerian economy to regain its footing. The government recommends eliminating all fuel subsidies, stating that the funds may be better spent on refineries, roads, and large infrastructure projects, ensuring long-term business development and wealth production for its citizens (Oladimeji, 2025).

SMALL & MEDIUM ENTERPRISES

Small and Medium Enterprises (SMEs) are firms whose size, in terms of personnel and income, falls below specified limits that differ by country and industry. SMEs play an important role in the economy, helping to create jobs, innovate, and drive economic progress. Despite their tiny size, they frequently operate in a variety of industries, from manufacturing to services, and can range from family-owned to startups and developing firms (Ilodigwe, 2023).

SMEs often have fewer staff and make less money than large enterprises. Small businesses may have less than 50 employees. Medium businesses can have up to 250 employees. These thresholds change between countries and organizations, such as the European Union and the World Bank. Many SMEs are privately owned, and in many cases, the owner also serves as the business manager. Small and medium-sized enterprises are frequently more nimble and innovative than larger enterprises. They can respond fast to market shifts and investigate niche markets or new technology (Olufemi and Ayodeji, 2016). Small and medium-sized enterprises (SMEs) may encounter more barriers to funding than major organizations. Many people rely on personal savings, family support, or minor bank loans. Newer funding techniques, such as crowdfunding and venture capital, are also available for expanding Small and Medium Enterprises (SMEs). While SMEs typically service local or regional markets, many also engage in international trade and exports (Mukoro, 2005). Their combined effect on global employment and economic output is substantial. Recognizing their value, governments all over the world frequently offer incentives, subsidies, and other forms of assistance to help SMEs expand and overcome obstacles.

Small and medium-sized enterprises (SMEs) have fewer employees and lower financial turnover than huge firms. The specific definition of a SME varies by country and industry, but generally falls within these parameters: employee size, which can typically be less than 500 employees, with some countries using lower thresholds (250 or even 50), and financial metrics, which may include revenue, assets, or a combination of both, with upper limits varying by country and industry (Kadiri, 2012).

FUEL SUBSIDY REMOVAL AND THE COST OF RUNNING BUSINESS

Fuel subsidies have long been a difficult topic in Nigeria, with administrations frequently grappling with the balance of public welfare and economic efficiency. Governments give these subsidies to

reduce fuel prices for consumers and companies, with the goal of stimulating economic activity and protecting disadvantaged people from rising energy costs. However, the withdrawal of such subsidies frequently provokes heated controversy because of the far-reaching economic consequences. The elimination of fuel subsidies in Delta State has far-reaching consequences, particularly for small and medium-sized businesses (SMEs). These firms, which are the foundation of the state's economy, are heavily impacted by the ripple effects of rising gasoline prices (Evans et al, 2023).

Fuel is an essential component for many SMEs, especially in Delta State, where power supply is unpredictable and enterprises rely largely on generators. With the elimination of subsidies, fuel prices have skyrocketed, directly boosting transportation, logistics, and electricity generation costs. SMEs in industries such as retail, manufacturing, and agriculture face increased difficulty in sustaining profit margins as the cost of moving goods and powering operations rises. The inability to completely transmit rising costs to consumers while maintaining competitiveness is a big challenge for SMEs. Price-sensitive clients may diminish their purchasing power, resulting in lower sales volumes. Businesses with narrow profit margins, such as roadside sellers and small-scale manufacturers, are especially vulnerable.

The rise in fuel costs has an impact on not only direct business operations, but also the entire supply chain. Suppliers and distributors may pass on higher transportation costs to SMEs, compounding financial stress. For enterprises that rely on raw resources or items shipped from remote regions, this produces a chain reaction of escalating costs (Edet, 2023).

The most immediate consequence of withdrawing fuel subsidies is an increase in fuel prices, which raises the expenses of transportation, production, and electricity generation. SMEs involved in logistics, manufacturing, and agriculture are especially vulnerable because they rely largely on fuel-intensive processes. For example, delivery services may face rising transportation prices, but manufacturers may face greater input costs due to rising energy expenditures. Higher gasoline costs frequently lead to inflationary pressures, as firms pass on their increased expenses to customers via higher prices (Adogbeji & Ogbe, 2025). This can limit consumers' purchasing power, resulting in lower demand for products and services. SMEs that frequently serve price-sensitive markets may struggle to maintain sales volumes and income (Evans et al, 2023).

With increased operational costs, SMEs may face cash flow constraints, limiting their ability to engage in growth or address unanticipated financial issues. This can be especially harmful to new enterprises or those who already have restricted access to credit. The withdrawal of gasoline subsidies poses substantial issues for small and medium-sized businesses, notably in terms of growing operating costs and inflationary pressures. However, it also provides a chance for firms to innovate, implement sustainable practices, and strengthen their resistance to future energy price volatility (Oluseyi, 2022). By employing adaptable tactics and utilizing government backing, SMEs can not only survive but thrive in a post-subsidy world. To ensure a long-term and fair economic change, governments, industry stakeholders, and the SMEs must work together (Edet, 2023).

FUEL SUBSIDY REMOVAL AND BUSINESS PERFORMANCE

Fuel subsidies are government financial interventions aimed at artificially lowering fuel prices. While designed to make fuel more accessible for the general public, these subsidies frequently put a pressure on national budgets. Fuel subsidies have long been a contentious issue in Nigeria, with supporters maintaining that they help to lower living costs and opponents highlighting inefficiencies and budgetary constraints. Delta State, as the economic core of the oil-rich Niger Delta area, is well positioned to feel the immediate and long-term repercussions of subsidy reduction (Edet, 2023).

The elimination of fuel subsidies directly boosts the price of petroleum goods, increasing operational costs for firms that rely on fuel for production, transportation, and logistics. Given the instability of electricity supply in Delta State, where small and medium-sized firms (SMEs) are the backbone of the economy, increasing fuel costs translate into greater expenses for running generators.

Agriculture, trade, and industry are especially hard hit since they must pay more to move goods and raw materials (Adogbeji & Isonah, 2025).

Higher fuel prices raise living costs, reducing customers' discretionary income. This shift in spending power has a negative impact on firms, particularly those in retail and services, as customers prefer vital things over non-essential items. In Delta State, where unemployment and poverty are already major issues, lower consumer spending puts additional strain on local businesses. The withdrawal of fuel subsidies frequently leads to inflation, as greater transportation and production expenses are passed on to consumers. In Delta State, this inflationary tendency has the potential to damage the competitiveness of local enterprises, particularly those competing against imported goods. Agricultural producers, for example, may find it difficult to maintain price parity with cheaper imports while their input prices rise. The withdrawal of fuel subsidies has direct consequences, including increased operational expenses (Evans et al, 2023).

THEORETICAL FRAMEWORK

This study is based on Resource Dependency Theory (RDT), a concept in organizational theory that outlines how external resources influence organizational behavior and survival. It was initially introduced by Jeffrey Pfeffer and Gerald R. Salancik in their seminal work The External Control of Organizations: A Resource Dependence Perspective (1978) (Ozili, 2023).

Organizations are not self-sufficient; they rely on external entities (e.g., suppliers, consumers, regulators) for critical resources including raw materials, labor, knowledge, and money. The external environment is often unpredictable, and organizations must adapt to changing resource availability, competitive dynamics, and regulatory requirements. Dependency creates power inequalities. Organizations with major resources exercise power over those who require them. Organizations that rely less on other entities tend to have more autonomy and power.

Resource Dependency Theory states that organizations rely on external resources to operate and thrive. These resources are usually limited and controlled by other organizations, making reliant enterprises vulnerable to fluctuations in resource availability or cost. Organizations utilize a range of strategies to overcome these vulnerabilities, such as diversifying resource sources, forming partnerships, and innovating to reduce dependency. When fuel subsidies are abolished, fuel prices rise, impacting key resources such as energy, transportation, and commodities delivery. For hotel companies that rely significantly on these inputs, the move raises operating expenses for power, food supply logistics, employee transportation, and client mobility.

As gasoline gets more costly, suppliers boost prices, pushing hospitality firms to renegotiate contracts and absorb the additional expenses. Furthermore, rising expenses have influenced consumer behavior, lowering occupancy rates and services. Thus, RDT demonstrates how the withdrawal of fuel subsidies disturbs resource flows, forcing hospitality enterprises to actively adjust in order to retain stability and competitiveness.

METHOD OF DATA ANALYSIS

Using the survey approach, the study used a descriptive research design. The data were presented and analyzed using simple percentage and chi-square analysis. Small and Medium Enterprises owners was used for this study. The purposive sampling techniques was employed to choose the survey respondents. A structured questionnaire was employed as the data gathering tool. There are two section to the questionnaire. The three sections of the instrument correspond to the research questions that were developed for the study. The four-point likert scale was scored as follows: 4 for strongly agree, 3 for agree, 2 for strongly disagreed and 1 for disagreed.

RESULT AND DISCUSSION OF FINDINGS

Out of the five hundred and fifty (550) questionnaire, five hundred and twenty three (523) were found. This suggests that the instrument twenty seven copies were misplaced. This is sufficient for

data analysis since it shows that 95.1% of the questionnaire were returned and 4.2% were lost. Thus, the 523 collected questionnaire served as the basis for the data analysis.

Table 1: Distribution of respondent based on gender

Gender	Frequency	Percentage
Male	319	61
Female	204	39
Total	523	100

Source: Field Work 2025

Table 1 shows the distribution of respondents based on gender. 319 respondents of 61% were male while 204 respondents of 39% were females. Thus, this study was dominated by male respondents.

Table 2: Distribution of Respondent Based on Age

Age	Frequency	Percentage
20-26Yrs	17	3.3
26-31Yrs	52	9.9
32-37Yrs	95	18.2
38-43Yrs	119	22.8
44-49Yrs	74	14.1
50-55Yrs	81	15.5
55Yrs and above	85	16.3
Total	523	100

Source: Field Work 2025

Table 2 shows the distribution of respondents based on age. 17 respondents of 3.3% were 20-26 years old, 52 respondents of 9.9% were 26-31 years old, 95 respondents of 18.2% were 32-37 years old, 119 respondents of 22.8% were 38-43 years old, 74 respondents of 14.1% were 44-49 years old, 81 respondents of 15.5% were 50-55 years old, and 85 respondents of 16.3% were 55 and above years old. Thus, this study was dominated by age between 38-48 years old.

Table 3: Distribution of respondent based on educational qualification

Educational Qualification	Frequency	Percentage
SSCE	136	26
OND/HND	106	20.3
B.Sc	192	36.7
M.Sc	68	13
Ph.D	21	4
Total	523	100

Source: Field Work 2025

Table 3 shows the distribution of respondents based on their educational qualification. 136 respondents of 26% were SSCE holders, 106 respondents of 20.3% were OND/HND holders, 192 respondents of 36.7% were B.Sc holders, 68 respondents of 13% have M.Sc, and 21 respondents of 4% have Ph.D. Thus, this study was dominated by B.Sc respondents.

Table 4: Distribution of Respondent Based on Religion

Religion	Frequency	Percentage
Christianity	420	80.3
Islam	20	3.8
ATR	44	8.4

Others	39	7.5
Total	523	100

Source: Field Work 2025

Table 4 shows the distribution of respondents based on their religion. 420 respondents of 80.3% were Christians, 20 respondents of 3.8% were Islam, 44 respondents of 8.4% belong to African Traditional Religion (ATR), 39 respondents of 7.5 does not belong to any of the above religion. Thus, this study was dominated by Christian respondents.

Table 5: Distribution of Respondent Based on Marital Status

Marital Status	Frequency	Percentage
Single	231	44.2
Married	192	36.7
Divorced	67	12.8
Widow	33	6.3
Total	523	100

Source: Field Work 2025

Table 5 shows the distribution of respondents based on their marital status. 231 respondents of 44.2% were single, 192 respondents of 36.7 respondents were married, 67 respondents of 12.8% were divorced, 33 respondents of 6.3% were widow. Thus, this study was dominated by single respondents.

Table 6: simple percentage response of sampled respondents on the relationship between fuel subsidy removal and the cost of running business in Delta State

S/N	ITEMS	SA	A	SD	D	%A	%D
1	Fuel subsidy removal affect the cost of running business in Delta State	274	182	42	25	87.2	12.8
2	Fuel subsidy removal have effect on business operation in Delta State	270	189	42	22	87.8	12.2
3	Fuel subsidy removal affect the availability of essential resources for businesses in Delta State	212	143	83	85	67.9	32.1
4	Fuel subsidy removal has led to adaptation of alternative energy sources for running of business in Delta State	123	114	176	110	45.3	54.7

Source: Field Work 2025

Table 6 shows the simple percentage of respondent on the relationship between fuel subsidy removal and the cost of running business in Delta State. 87.2% of respondents agreed that fuel subsidy removal affect the cost of running business in Delta State while 12.8% of respondents disagreed. 87.8% of respondents agreed that fuel subsidy removal have effect on business operation in Delta State while 12.2% of respondents disagreed. 67.9% of respondents agreed that fuel subsidy removal affect the availability of essential resources for businesses in Delta State while 32.1% of respondents disagreed. 45.3% of respondents agreed that fuel subsidy removal has led to adaptation of alternative energy sources for running of business in Delta State while 54.7% of respondents disagreed.

Is fuel subsidy removal impacting on business performance in Delta State?

Table 7: Simple percentage response of sampled respondents on fuel subsidy removal impact on business performance in Delta State

S/N	ITEMS	SA	A	SD	D	%A	%D
1	Fuel subsidy removal affect business performance in Delta State	221	168	82	52	74.4	25.6
2	Fuel subsidy removal have led to decrease in business sales revenue in Delta State	252	186	42	43	83.7	16.3
3	Government subsidy reinvestment and supporting measures for SME have positively affected businesses in Delta State	49	34	263	177	15.9	84.1
4	Fuel subsidy removal affect business expansion in Delta State	188	192	81	62	72.7	27.3

Source: Field Work 2025

Table 7 shows the simple percentage of respondent on fuel subsidy removal impact on business performance in Delta State. 74.4% of respondents agreed that fuel subsidy removal affect business performance in Delta State while 25.6% of respondents disagreed. 83.7% of respondents agreed that fuel subsidy removal have led to decrease in business sales revenue in Delta State while 16.3% of respondents disagreed. 15.9% of respondents agreed that Government subsidy reinvestment and supporting measures for SME have positively affected businesses in Delta State while 84.1% of respondents disagreed. 72.7% of respondents agreed that fuel subsidy removal affect business expansion in Delta State while 27.3% of respondent disagreed.

Testing of Hypothesis

Hypothesis 1: There is no significant relationship between fuel subsidy removal and the cost of running business in Delta State.

Table 8: Chi-square analysis of questionnaire for the relationship between fuel subsidy removal and the cost of running business in Delta State.

Sources of Variation	Responses		Df	X2-Cal	X2-Crit	Alpha Level	Decision
	Observed	Expected					
Strongly Agree (SA)	879	130.8	3	188.6	7.82	0.05	Significant Ho1 Rejected
Agree (A)	628	130.8					
Strongly Disagree (SD)	343	130.8					
Disagree (D)	242	130.8					

Source: Field work 2025

Table 8 shows that there is significant relationship between fuel subsidy removal and the cost of running business in Delta State. The calculated value of 188.6% is greater than the chi-square table

value of 7.82. Thus, the null hypothesis is rejected. Therefore, there is a significant relationship between fuel subsidy removal and the cost of running business in Delta State.

Hypothesis 2: There is no significant relationship between fuel subsidy removal and business performance in Delta State.

Table 9: Chi-square analysis of questionnaire for the relationship between fuel subsidy removal and business performance in Delta State.

Sources of Variation	Responses		Df	X2-Cal	X2-Crit	Alpha Level	Decision
	Observed	Expected					
Strongly Agree (SA)	710	130.8	3	193.78	7.82	0.05	Significant Ho2 Rejected
Agree (A)	580	130.8					
Strongly Disagree (SD)	468	130.8					
Disagree (D)	334	130.8					

Source: Field Work 2025

Table 9 shows that there is significant relationship between fuel subsidy removal and business performance in Delta State. The calculated value of 193.78 is greater than the chi-square table value of 7.82. Thus, the null hypothesis is rejected. Therefore, there is a significant relationship between fuel subsidy removal and business performance in Delta State.

CONCLUSION

The removal of fuel subsidy in Nigeria has had profound implications on the cost of running businesses and the overall performance of Small and Medium Enterprises (SMEs) in Delta State. With the sharp increase in fuel prices, SMEs have experienced rising operational costs, particularly in areas such as transportation, electricity generation, and procurement of raw materials. Since most SMEs rely heavily on fuel for daily operations due to irregular power supply, the subsidy removal has translated into higher production expenses, reduced profit margins, and in some cases, the downsizing of workforce or outright closure of businesses. This has placed additional strain on the already fragile business environment in Delta State, where SMEs serve as key drivers of employment and economic development.

Despite these challenges, the situation also presents opportunities for adaptation and innovation among SMEs. Some enterprises are exploring alternative energy sources, adopting cost-cutting measures, and leveraging technology to minimize expenses and improve efficiency. The long-term performance of SMEs in Delta State will depend largely on the extent of government intervention through policies such as tax reliefs, credit facilities, and infrastructural support that can cushion the impact of subsidy removal. Therefore, while the immediate effect of subsidy removal has increased the cost of doing business and threatened sustainability, the resilience and adaptability of SMEs, coupled with effective policy measures, can mitigate these negative impacts and potentially foster a more sustainable business environment in the future.

RECOMMENDATION

Considering the discussion and conclusion of this study, the following are recommended.

i. Establish targeted cost-relief and energy support for SMEs in Delta State—time-bound tax rebates on PAYE/withholding for firms under a turnover threshold, subsidized prepaid meters, and grants/soft loans for solar/inverter systems and energy-efficient equipment—so enterprises can reduce diesel/petrol dependence and stabilize operating costs.
ii. Fast-track one-stop business registration/renewal, waive or stagger local levies, and provide vouchers for MSME training in cost accounting, inventory control, e-commerce, and digital payments; encourage remote/shift work, route optimization, and price-review policies tied to input indices to protect margins without losing customers.
iii. Develop serviced light-industrial parks in Warri, Asaba, and Ughelli with reliable power, water, and security; link clusters to public procurement quotas and large-firm off-take agreements; and institutionalize quarterly SME cost/performance dashboards to inform rapid policy tweaks (transport fares, market fees, regulatory timelines) as fuel-price conditions change.

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