IMPACT OF SUBSIDY REMOVAL ON CONSUMERS' ECONOMY AND MARKETING OF CONSUMER GOODS IN ADO-EKITI, EKITI STATE

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Abstract
The study examined the impact of subsidy removal on consumers' economy and marketing of consumer goods in Ekiti State. *Specifically, the study investigated the impacts of subsidy removal on the economy of consumers, assessed the impact of subsidy removal on the marketing of consumers' goods and the impact of subsidy removal on consumer purchasing power in Ekiti State. The descriptive research design of the survey type was used in this study. The population for the study consisted of 4,106 consumers of groceries and related commodities in Ado-Ekiti. The sample for the study consisted of 200 consumers of goods selected from Ado-Ekiti, using simple random sampling technique. A self-designed questionnaire titled "*Subsidy Removal and Consumer Goods *Questionnaire" (SRCGQ)" was used for the study. The data collected through the instrument were analyzed using descriptive and inferential statistics. The findings indicated a significant relationship between subsidy removal and the economy of consumers in Ekiti State, a significant relationship between subsidy removal and the marketing of consumer goods in Ekiti State and finally, there is a significant relationship between subsidy removal and consumer purchasing power in Ekiti State. The study therefore recommended that there should be development and implementation of comprehensive financial literacy programs to help consumers better manage their reduced disposable income and the government should formulate job creation initiatives and support small businesses to help offset the reduction in consumer purchasing power.*

Keywords: Subside, Consumer's Economy, Marketing, Consumer goods

Introduction

Prices of goods and services have a significant impact on consumer behaviour in Nigeria and are closely related to the nation's current economic state. The populace in Nigeria have greatly been affected in terms of purchasing power and decision-making processes by unemployment and economic woes. The elimination of subsidies, a policy choice frequently made to alleviate budgetary constraints, encourage market efficiency, and reallocate resources, seems to have a big impact on a nation's economy and consumer product marketing. In Nigeria, where subsidies have historically been given for necessities such as food and petroleum products, the removal of which may have repercussions across a number of industries, including consumer behaviour, market strategy and economic dynamics.

Over time, Nigeria has been conditioned to rely on fuel that is subsidized. Fuel is the second most popular product in the nation used as an energy source, behind food (Ani, Onoja & Humbe, 2021). For instance, electricity frequently has epilepsy. For home use, the majority of families either use kerosene or premium motor spirit (PMS), sometimes known as gasoline. Low cost of fuel is essential to effective operations of many small enterprises, including farmers, barbershops, lodging facilities, welders, hair salons and more. Both private and commercial cars rely on fuel, specifically diesel and gasoline, for their energy needs. Consequently, the recent policy of the federal government of Nigeria on the removal of fuel subsidy may likely have direct and indirect repercussions on the economy and pricing of consumer goods. The government may not fully understand the short- and long-term effects of the policy on the entire economy, despite their concerns about the enormous amount of money spent on subsidies each year and their belief that such resources would be better used to provide essential infrastructure (Muktar, 2023).

The term "fuel subsidy" refers to the practice of the government giving financial support to lower the cost of petroleum products, especially gasoline (petrol) and kerosene, for the Nigerian populace. The ultimate goal of the fuel subsidy is to make fuel more affordable for consumers by maintaining artificially low prices. However, because of the substantial economic and fiscal implications of the fuel subsidy, fuel subsidies has generated a great deal of controversy and debate in Nigeria. Nigeria spends more than any other oil-exporting nation in Africa on fuel subsidies, with an estimated 1.7% of GDP going toward these costs, according to an International Monetary Fund (IMF) analysis from 2019.

Nigeria first instituted fuel subsidies in the 1970s. In response to the 1973 oil price shock, part of the gasoline subsidy program was eliminated in 1986. Ever since, fuel subsidies have been in place. The government however, stopped paying for fuel subsidies in 2012. The withdrawal was met with massive protests aimed at compelling the government to reinstate the fuel subsidy that it had slashed. The government then reinstated fuel subsidies in 2012 in response to the large-scale protests. Since then, Nigeria has paid out a significant amount on petroleum subsidies. The government budget for 2022 was ₦17.126 trillion (US$25.87 billion), of which ₦4 trillion (US$6.088 billion) was allocated to fuel subsidies. As a result, Nigeria's government announced that fuel subsidy would be removed in June, 2023 (Ozilli & Obiora, 2023).

The recently sworn-in administration, headed by Chief Bola Ahmed Tinubu, has promised to eliminate all gasoline subsidies in the nation or fully liberalize the downstream oil sector. Not only do fuel prices automatically increase within 30 minutes of the president's speech, but transportation, food, and production costs also rise automatically. The withdrawal of fuel subsidies also affected small firms, employees, and students in numerous ways. Regardless of location, the effect was felt in all economic sectors, and how well people are able to adjust to the shifting economic conditions will determine how much of an influence they had. Nigeria's economic policies seem to have changed significantly with the removal of petroleum subsidies. The effects on inflation, transportation costs, and people's ability to support themselves cannot be disregarded, even while the goal may be to alleviate budgetary constraints and promote market-driven pricing (Ogunode, Ahmed & Olugbenga, 2023). The elimination of subsidies seems to have harmed both public and private entities. Affected institutions include the judiciary, educational institutions, financial institutions, health institutions, religious institutions, political institutions, and the tourism industry.

Removal of subsidies may likely have a wide range of repercussions on the economy and consumer products marketing, including reduced demand, price rises, inflation, budget deficits, market efficiency, and competitive landscape. Prices for consumer goods that were previously subsidized typically rise when such subsidies are eliminated. This may affect consumer cost of living and result in general inflationary pressures. Energy subsidies were removed, which showed that they increased energy prices and fuelled inflation in several nations (Bournay, 2020). Customers may find it more difficult to spend money on other products and services as a result, which could negatively impact their purchasing power.

Government finances were burdened by subsidies, which led to budget deficits. Eliminating them can lessen this load and result in fiscal measures that are more long-term. The removal of energy subsidies enabled governments to lower their budget deficits and reallocate funds to other priority areas, such healthcare and education, according to research on the effects of energy subsidy reforms on government budgets (Baena-Grande et al. 2021). Based on the fact that subsidies change the dynamics of supply and demand, they frequently result in market inefficiencies. In the event that subsidies are eliminated, prices will be free to adjust in accordance with real supply and demand. It was discovered that the elimination of agricultural subsidies increased market efficiency and raised the competitiveness of the agricultural sectors across a number of nations. This can encourage producers to innovate and invest in more efficient production methods (Navajas-Gallego *et al.*, 2019).

Prices of previously subsidized consumer items will rise when subsidy is removed. This may have effect on marketing plans. In order to reflect the new price points, business owners might need to reposition their products and modify their pricing strategy. Since fuel subsidies were removed in Nigeria, business owners have had to invest in significant marketing campaigns to notify customers of price hikes. This highlights the need of effective communication in informing customers about price changes (Nair et al., 2020). The withdrawal of subsidies may result in higher pricing, which could reduce demand for consumer goods. In response, customers might cut back on their consumption or look for less expensive alternatives. Marketers need to review their target market, identify price-sensitive segments, and maybe present lower-cost options to sustain consumer interest and involvement. Furthermore, when prices become more indicative of market dynamics, the elimination of subsidies may foster a more competitive marketplace. Businesses that can effectively sell high-quality goods at reduced costs might have an advantage over rivals. Marketers need to re-assess their marketing mix, reposition products, and establish strong value propositions to differentiate themselves in the new competitive landscape (Nair et al., 2020).

The economy and the marketing of consumer goods may be significantly impacted by the withdrawal of subsidies. It has an impact on pricing, demand, market efficiency, inflation, budget deficits, and the competitive environment. Companies need to alter their marketing tactics to cater for the shifting dynamics of subsidy elimination. Effective communication and well-designed regulations are essential for minimizing negative impacts and facilitating a seamless transition for customers and the economy.

Statement of the Problem

Subsidy has been a policy employed by governments all over the world to promote different sectors of the economy, including the consumer goods sector. Subsidies may also have unforeseen repercussions that put a heavy load on government finances, cause inefficient resource allocation, and distort the market. In view of this, several nations have been considering the prospect of eliminating or lowering subsidies, especially when it comes to consumer products, in an effort to strengthen budgetary restraint, foster market competition, and encourage more environmentally friendly consumption habits. The economy as a whole may be significantly impacted by the elimination of subsidies. On the one hand, it may result in more effective resource allocation, less market distortions, and more budgetary restraint, all of which may encourage increased competitiveness and innovation. Higher pricing for customers, especially those in low-income households, may have a detrimental effect on their standard of living and purchasing power. Additionally, the removal of subsidies may have distributional impacts, harming some groups more than others.

The marketing of consumer goods may be significantly impacted by the elimination of subsidies. In order to cover the higher expenses brought about by the removal of subsidies, producers and retailers might need to modify their price plans, tactics for differentiating their products, and approaches to promotions. In order to effectively reach and keep their client base, marketers may also need to review their market segmentation and focused marketing techniques in light of changes in consumer behaviour, such as a trend towards more reasonably priced alternatives or substitute items. It is on this note that the study seek to examine the impact of subsidy removal on the economy and marketing of consumer goods in Ekiti State.

Purpose of the Study

The purpose of this study is to examine the impact of subsidy removal on consumers' economy and marketing of consumer goods in Ekiti State. Specifically, the study:

i. examined the impact of subsidy removal on the economy of consumers' in Ekiti State;
ii. assessed the impact of subsidy removal on the marketing of consumers goods in Ekiti State;
iii. examined the impact of subsidy removal on consumer purchasing power in Ekiti State.

Research Questions

This study is guided by the following research questions:

i. What are the impacts of subsidy removal on the consumers' economy in Ekiti State?
ii. What the impacts of subsidy removal on the marketing of consumer's goods in Ekiti State?
iii. What are the impact of subsidy removal on consumer purchasing power in Ekiti State?

Research Hypotheses

The following null hypotheses were formulated to guide the study

i. There is no significant relationship between subsidy removal and consumers' economy in Ekiti State;
ii. There is no significant relationship between subsidy removal and the marketing of consumers goods in Ekiti State;
iii. There is no significant relationship between subsidy removal and consumer purchasing power in Ekiti State.

Methodology

The study adopted descriptive research design of the survey type. The population for the study consisted of 4,106 consumers of groceries and related commodities in Ado-Ekiti, as provided by the Ekiti Chamber of Commerce, Industry, Mines and Agriculture (EKICCIMA) (https://www.ekitichamber.com.ng/). The sample for the study consisted of 200 consumers of goods selected from Ado-Ekiti, Ekiti State using simple random sampling technique. An instrument titled "Subsidy Removal and Consumer Goods Questionnaire" (SRCGQ) was used for the collection of data for the study. The reliability of the instrument was determined through test re-test method to obtain a reliability coefficient of 0.83 which was adjudge reliable. The instrument was administered by the researcher to the respondents with the help of a research assistant through self-distribution which ensured proper monitoring and self-supervision. The data collected were analyzed using descriptive and inferential statistics. The research questions were answered using descriptive statistics of mean count and standard deviation while the hypotheses were tested using inferential statistics of Pearson Product Moment Correlation at 0.05 level of significance.

Results

Research Question 1: What are the impacts of subsidy removal on the economy of consumers in Ekiti State?

Table 1: Descriptive analysis showing the impacts of subsidy removal on the economy of consumers

S/N	ITEMS	Mean	SD	Remarks
1	The removal of subsidies has significantly reduced my disposable income.	3.27	0.85	Agree
2	I have noticed an increase in the overall cost of living since the subsidy removal.	3.41	0.75	Agree
3	My purchasing power for essential goods and services has decreased.	3.36	0.57	Agree
4	I have had to seek additional sources of income to maintain my standard of living.	3.35	0.74	Agree
5	I have had to reduce my savings or investments due to increased expenses.	3.30	0.85	Agree
6	The removal of subsidies has affected my ability to pay for healthcare services.	3.43	0.60	Agree
7	I have experienced difficulty in affording educational expenses since the subsidy removal.	3.47	0.50	Agree
	N=200 **Mean cut off = 2.50**			

The impacts of subsidy removal on the economy of consumers in Ekiti State was presented in table 1. Using the criterion mean score of 2.50 as cut-off to determine the impacts, it was indicated that respondents agreed to all statement in table 1. It implies that the removal of subsidies has reduced disposable income and there is an increase in the overall cost of living. Since the subsidy removal, purchasing power for essential goods and services has decreased. The removal of subsidies has affected the ability to pay for healthcare services and respondents have experienced difficulty in affording educational expenses since the subsidy removal.

Research Question 2: What are the impacts of subsidy removal on the marketing of consumers' goods in Ekiti State?

Table 2: Descriptive analysis showing the impacts of subsidy removal on the marketing of consumers' goods

S/N	ITEMS	Mean	SD	Remarks
1	I have noticed an increase in promotional offers and discounts since the subsidy removal.	2.84	1.11	Agree
2	Companies seem to be emphasizing value for money more in their marketing messages.	3.03	0.94	Agree
3	There has been a shift towards marketing more affordable product variants or sizes.	2.82	1.21	Agree
4	Brands appear to be focusing more on essential features rather than luxury aspects in their marketing.	3.13	0.87	Agree
5	Marketing messages increasingly emphasize cost-saving benefits of products.	3.27	0.44	Agree
6	I have noticed more bundled offers or package deals in product marketing.	3.09	0.97	Agree
7	Marketing campaigns seem to be more targeted towards budget-conscious consumers.	3.01	0.86	Agree

N = 200 Mean Cut Off = 2.50

The impacts of subsidy removal on the marketing of consumers goods in Ekiti State is presented in table 2. Using the criterion mean score of 2.50 as cut-off to determine the impacts, it was indicated that respondents agreed to all statement in table 2.

Research Question 3: What are the impact of subsidy removal on consumer purchasing power in Ekiti State?

Table 3: Descriptive analysis showing the impact of subsidy removal on consumer purchasing power

S/N	ITEMS	Mean	SD	Remarks
1	My ability to purchase the same quantity of goods has decreased since the subsidy removal.	3.29	0.82	Agree
2	I find myself buying lower-quality products to maintain my budget after the subsidy removal.	3.13	0.98	Agree
3	My discretionary spending on leisure activities has decreased due to reduced purchasing power.	3.11	0.91	Agree
4	I am more likely to postpone major purchases due to budget constraints.	3.00	0.61	Agree
5	The variety of products I can afford has diminished since the subsidy removal.	3.44	0.84	Agree
6	I find myself more frequently looking for sales or discounts to maintain my purchasing habits.	3.41	0.87	Agree
7	My ability to save money has been negatively impacted by the reduction in purchasing power.	3.30	0.81	Agree
8	I have had to switch to cheaper brands for many products to stay within my budget.	3.55	0.79	Agree

N=200 Mean cut off = 2.50

Table 3 revealed the impact of subsidy removal on consumer purchasing power in Ekiti State. Using the criterion mean score of 2.50 as cut-off to determine the affirmation of each statement, it was indicated that respondents agreed to all statement in table 3.

Testing of Hypotheses

Hypothesis One: There is no significant relationship between subsidy removal and the economy of consumers in Ekiti State.

Table 4: Pearson's Product Moment Correlation showing the Relationship between subsidy removal and the economy of consumers

Variables	N	Mean	Standard Deviation	r-cal	P-value
Subsidy Removal	200	22.80	4.68	0.657	0.000
Economy of consumer	200	23.59	2.77		

* P < 0.05

Table 4 showed a significance relationship between subsidy removal and the economy of consumers ($p < 0.05$), with a correlation coefficient (r-cal) of 0.657, p-value = 0.000. Therefore, the hypothesis formulated which states there is no significant relationship between subsidy removal and economy of consumers is thereby rejected.

Hypothesis Two: There is no significant relationship between subsidy removal and the marketing of consumers' goods in Ekiti State

Table 5: Pearson's Product Moment Correlation showing the Relationship between subsidy removal and the marketing of consumers' goods

Variables	N	Mean	Standard Deviation	r-cal	P-value

Subsidy Removal	200	22.80	4.68		
Marketing of Consumer Goods	200	21.21	4.96	0.363	0.000

*P < 0.05

Table 5 found a significance relationship between subsidy removal and the marketing of consumers goods, with correlation coefficient (r-cal) of 0.363, p-value = 0.000 ($p < 0.05$). Therefore, the hypothesis formulated which states that there is no significant relationship between the between subsidy removal and the marketing of consumers goods of courses in tertiary institutions is therefore rejected.

Hypothesis Three: There is no significant relationship between subsidy removal and consumer purchasing power in Ekiti State

Table 6: Pearson's Product Moment Correlation showing the Relationship between the subsidy removal and consumer purchasing power

Variables	N	Mean	Standard Deviation	r-cal	P-value
Subsidy Removal	200	22.80	4.68	0.378	0.000
Purchasing Power	200	26.24	4.60		

*P < 0.05

Table 6 revealed a significance relationship between subsidy removal and consumer purchasing power of goods, with correlation coefficient (r-cal) of 0.378, p-value = 0.000 ($p < 0.05$). Therefore, the hypothesis formulated which states that there is no significant relationship between the subsidy removal and consumer purchasing power of goods in tertiary institutions is therefore rejected.

Discussion

Findings of the study reported reduced disposable income, increased cost of living, and decreased purchasing power for essentials. Notably, the ability to afford healthcare and education was negatively impacted. This finding support other studies demonstrating how fuel subsidy removals can exacerbate poverty and inequality (Rentschler & Bazilian, 2017).

In terms of marketing impacts, the study found that consumers have adapted their strategies in response to reduced consumer purchasing power. There was an increase in promotional offers, emphasis on value for money, and marketing of more affordable product variants. This shift in marketing approach reflects businesses' need to retain price-sensitive customers in a challenging economic environment (Kotler & Armstrong, 2018).

The findings also revealed significant negative impacts on consumer purchasing power. Respondents reported decreased ability to purchase the same quantity of goods, switching to lower-quality products, and postponing major purchases. This reduction in purchasing power can have ripple effects throughout the economy, potentially slowing economic growth (Coady *et al.*, 2019).

The findings revealed from the first hypothesis that there is a significant relationship between subsidy removal and the economy of consumers in Ekiti State. The statistical analysis revealed a significant positive correlation ($r = 0.657$, $p < 0.05$) between subsidy removal and changes in consumer economy. This positive relationship indicates that the removal of fuel subsidies has had substantial and measurable effects on the economic well-being of consumers in the region. This finding aligns with previous research on the impacts of subsidy reforms carried out by, Soile and Mu (2015) who found that fuel subsidy removals in Nigeria disproportionately affected lower-income households, reducing their purchasing power for essential goods. Similarly, Rentschler and Bazilian (2017) demonstrated how such policy changes can exacerbate poverty and inequality, particularly in developing economies.

The second hypothesis stated that there is a significant relationship between subsidy removal and the marketing of consumer goods in Ekiti State. This relationship, indicates a notable shift in marketing approaches in response to the changing economic landscape. The findings suggest that businesses have adapted their marketing strategies to address the reduced purchasing power of consumers following the subsidy removal. These results are consistent with contemporary marketing literature. Kotler and Armstrong (2018) emphasize the need for businesses to adapt their marketing strategies in response to significant economic changes. The observed shift towards emphasizing value for money, promoting more affordable product variants, and increasing promotional offers aligns with strategies for retaining price-sensitive customers in challenging economic environments (Kotler & Keller, 2016).

The third hypothesis revealed there is a significant relationship between subsidy removal and consumer purchasing power in Ekiti State. This finding indicates that the removal of fuel subsidies has had a measurable impact on the ability of consumers to purchase goods and services. The moderate strength of this correlation suggests that while the impact is significant, other factors may also be influencing purchasing power. These results are in line with broader economic research on the effects of subsidy reforms. Coady *et al.* (2019) note that reductions in fuel subsidies can lead to decreased purchasing power, particularly for lower-income households. This can have ripple effects throughout the economy, potentially slowing economic growth and affecting consumption patterns.

Conclusion

Based on the findings of this study, it was concluded that the removal of subsidies has led to increased expenditure on goods, reduced disposable income, and a shift towards more affordable alternatives, often at the cost of quality. These changes have rippled through the economy, affecting not only daily purchases but also essential services like healthcare and education. The research also highlighted how businesses have adapted their marketing strategies in response to these economic shifts, focusing more on value propositions and budget-conscious consumers. These relationships underscore the far-reaching consequences of such policy decisions on both individual consumers and the broader market dynamics.

Recommendations

Based on the findings of this study, the following recommendations were made.

1. Government should implement a gradual subsidy removal process to allow consumers time to adjust their budgets and consumption patterns.
2. Government should develop and implement comprehensive financial literacy programs to help consumers better manage their reduced disposable income.

3. Government should formulate job creation initiatives and support small businesses to help offset the reduction in consumer purchasing power.
4. Encourage businesses to focus on value-based marketing strategies that emphasize cost-effectiveness and essential features of products.
5. Implementation of policies to stimulate economic growth and job creation to help offset the reduction in purchasing power.
6. Conduct regular economic impact assessments to monitor the ongoing effects of subsidy removal and adjust policies accordingly.

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