

Fuel Price Hike and Vulnerability of Households in Nigeria: Empirical Evidence from Ibadan Metropolis

Isaac B. Oluwatayo^{1*} and Simon A. Alagbe^{2**}

¹*Department of Agricultural Economics and Animal Production, School of Agricultural and Environmental Sciences, University of Limpopo, Sovenga 0727, South Africa*

²*Department of Agricultural Economics, University of Ibadan, Nigeria*
*E-mail: * <isaac.oluwatayo@ul.ac.za>, ** <simonalagbe@gmail.com>*

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ABSTRACT World oil prices have risen to substantial levels recently. The world demand-driven oil price shock has influenced the way developing countries pursue policies aimed at improving the standard of living of the people. This paper examines the effect of fuel price hike on the Nigerian households. A structured questionnaire was administered to 123 households in the Ibadan metropolis, Oyo State, Nigeria using a multi-staged random sampling technique. Descriptive statistics and the Tobit regression model were employed as analytical tools. Results of data analysis show that households with higher income employed fewer but better coping strategies and are less vulnerable to fuel price hikes, while households with lower income employed more but less effective coping strategies and are more vulnerable. Using the absolute poverty line of N54, 401.16 defined by National Bureau of Statistics as a benchmark, the per capita expenditure approach was used for assessing the poverty level of respondents. From the result, it was revealed that about seventy percent of respondents spent less than N54, 401.16 indicating about three-quarters of Nigerians are poor, living on less than USD2 a day. Findings also show that any increase in fuel prices beyond its current price will further increase the vulnerability of the already poor households. It is, therefore, suggested that governments should cushion the effect of incessant fuel price fluctuations and reduce households' vulnerability by introducing income redistribution policies in favor of the vulnerable group. Also, a provision of safety nets and other welfare-enhancing programs will help in boosting the living conditions of the vulnerable group.