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Corruption, Social Inclusion and Exclusion in Post-Subsidy Regime in Nigeria

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Abstract

Despite research on the economic impacts of fuel subsidy removal, how this policy shift has reconfigured corruption patterns, governance dynamics, and social inequalities in Nigeria is understudied. While studies have documented immediate price effects, fiscal adjustments, and macroeconomic consequences, little attention has been paid to the evolving nature of rent-seeking behaviours, institutional adaptations, and exclusionary mechanisms in the post-subsidy era. This study examines the link between corruption, institutional weakness, and social exclusion following Nigeria's 2023 subsidy removal. Employing a meta-synthesis, academic literature, policy documents, and empirical data from 1999-2024 were analysed. Combining institutional theory with social exclusion. Four major themes emerged from the analysis: (1) the decentralisation of corruption from fuel subsidy fraud to palliative distribution networks, (2) disproportionate exclusion of vulnerable groups, including rural populations and women, (3) institutional failures that amplify economic shocks, and (4) political marginalisation through non-participatory

policymaking. Key findings reveal that subsidy elimination has not reduced corruption, but rather displaced it to new arenas, particularly social intervention programs. Exclusionary effects are most severe in transportation and education. Institutional weaknesses, exemplified by failed digital payment systems that exclude rural Nigerians, compound these challenges. The abrupt policy implementation further affects public trust by excluding citizen input. The study advances the Corruption-Institution-Exclusion (CIE) framework to explain these dynamics, offering policymakers a tool to anticipate and mitigate unintended consequences of economic reforms. The study recommends transparent social protection mechanisms, inclusive decision-making processes, and institutional capacity building to ensure subsidy reforms achieve their intended equitable outcomes. This research contributes to broader debates about implementing structural reforms in weak institutional environments while protecting vulnerable populations.

Keywords: Corruption, Institutional Weakness, Social Exclusion, Social Inclusion, Corruption-Institution-Exclusion (CIE) Framework

Introduction

Nigeria's bold decision to remove fuel subsidies in May 2023 marked a watershed moment in the country's economic policy trajectory. This decision has fundamentally altered the socio-economic structure and exposed structural inequalities that have long plagued Africa's most populous nation (Punch, 2024). The sudden and total removal of fuel subsidies indicates a departure from decades of government intervention in petroleum pricing and has created new dynamics in the relationship between state resources, corruption patterns, and social stratification (Adinoyi & Kpae, 2024). This policy shift, while economically necessary to address fiscal sustainability concerns, has inadvertently created fertile ground for examining how corruption mechanisms evolve and how social inclusion and exclusion patterns are redefined in post-subsidy Nigeria.

Social inclusion and exclusion may be understood from the impacts of Nigeria's subsidy removal policy. As conceptualised by Sen (2000) and later expanded by Walsh *et al.* (2017), social inclusion may be rendered as the ability of individuals and communities to participate fully in economic, social, and political life. Conversely, social exclusion may be explained as the systematic barriers that prevent certain groups from accessing opportunities, resources, and social networks essential for meaningful participation in society (Silver, 2015). In the Nigerian context, these concepts are salient, given the country's ethnic, religious, and regional divisions, alongside corruption that has distorted resource allocation and perpetuated inequality (Smith, 2007; Transparency International, 2023).

Fuel subsidies in Nigeria are enormous fiscal commitments, as approximately USD 3.9 billion, nearly double the national health budget, has been spent before the removal (McCulloch *et al.*, 2021). PWC (2023) confirms that fuel subsidies have constituted a component of Nigeria's fiscal burden for over three decades. This signifies an institutional arrangement. The corruption associated with Nigeria's subsidy system has been characterised as one of the world's biggest national frauds, with investigations by the House of Representatives revealing that over \$10 billion was stolen by the cabal (Open Society Foundations, 2012; Ozili, 2023; NRG, 2022; Gazette Nigeria, 2022). The subsidy system had become notorious for its opacity, with various stakeholders, including government officials, oil marketers, and intermediaries, exploiting the regulations and procedures for personal enrichment (Ogbuigwe, 2018). Historical evidence suggests that between 2009 and 2012 alone, 60 million barrels of oil valued at \$13.7 billion were stolen under the watch of the Nigerian National Petroleum Corporation, highlighting the systemic nature of corruption within the petroleum sector. This has created opportunity costs for developmental objectives while also providing avenues for rent-seeking behaviours and corrupt practices (Adeniran, 2020).

Khan (2006) on political settlements and Acemoglu and Robinson's (2012) institutional framework emphasise how extractive institutions enforce inequality and exclusion. Nigeria's post-independence political economy has been characterised by what Lewis (2007) termed "prebendal politics," where public offices are treated as prebends to be exploited for personal and group benefit. Such a system has resulted in what may be referred to as state criminalisation, as Bayart *et al.* (2019) put it, a situation where lines are further blurred between legal government and corrupt activities, especially in areas rich in resources such as petroleum. Extreme inequality is well evident as poverty and inequality in Nigeria are not revealed by the absence of resources but by their misapplication, misallocation and misappropriation, a form of corruption coupled with a political elite which does not identify itself with the struggles of ordinary people. This has been exacerbated by the introduction of the post-subsidy era, where the adverse effects of fuel price adjustments are not proportionately felt among the vulnerable population. Thus, the people are further exposed to new avenues of corrupt systems in the redistribution of savings on subsidising fuel prices, and also programs that can curb their needs by way of palliative provisions.

While it became economically rational to remove the subsidy in the country which no doubt has released major fiscal revenues, the way it is done and how policy responses were met have raised some burning questions about social equity and the quality of governance. The abruptness in subsidy removal has also created immediate suffering among millions of Nigerians, especially those in the lower income bracket who need affordable transportation and goods that have pricing directly tied to fuel prices (Adebayo & Ogunrinola, 2023). Simultaneously, the redistribution of saved subsidy funds through various government programmes has also created new channels for potential corruption, while existing social protection mechanisms remain inadequate to address the scale of social exclusion aggravated by the policy change.

Social inclusion and exclusion dynamics in the post-subsidy context are understood through differential impacts across demographic and geographic groups. Subsidy removal forms patterns of exclusion through economic barriers, with elimination impacts on low- and middle-income households through increased living costs, reduced purchasing power, and diminished access to basic services (Agama & Onum, 2025). The post-subsidy regime is a shift in state-citizen relationships, with implications for immediate economic adjustments and broader social contract renegotiation.

While studies have examined the economic impacts of subsidy removal (Aniemeke, 2024; Aydin, 2016), limited attention has been paid to how corruption patterns have evolved or adapted in the new policy environment. Again, the relationship between subsidy removal, corruption, and social inclusion/exclusion remains underexplored, despite the obvious interconnections between these phenomena. Most existing research focuses on the immediate economic effects of the policy change, with insufficient analysis of the medium to long-term social and governance implications. Fourth, there is a dearth of empirical studies examining how different social groups experience inclusion or exclusion in the post-subsidy regime, particularly regarding access to alternative social protection mechanisms and economic opportunities.

Addressing these gaps is significant for academic inquiry and practical policy relevance. Understanding how corruption mechanisms adapt to new policy environments is crucial for designing effective anti-corruption strategies. Similarly, mapping patterns of social inclusion and exclusion in post-subsidy Nigeria is essential for developing targeted interventions that can address the adverse social impacts of economic reforms while preventing the entrenchment of new forms of inequality. This research is timely given ongoing debates about the sustainability of current policies and the need for evidence-based approaches to social protection and governance reform.

This study aims to examine the relationship between corruption, social inclusion, and social exclusion in Nigeria's post-subsidy regime, with a focus on how the removal of fuel subsidies has created new dynamics in governance quality and social stratification. The primary research question guiding this investigation is: How has the removal of fuel subsidies in Nigeria influenced patterns of corruption, social inclusion, and social exclusion, and what are the implications for governance quality and social equity in the post-subsidy regime?

Literature Review

Historical Context of Fuel Subsidy in Nigeria

Nigeria's fuel subsidy regime spans over five decades, with fuel prices evolving from a humble 6 kobo in 1973 (Ozili & Obiora, 2023) to a staggering 617 naira per litre in 2023 (Al Jazeera, 2023). The subsidy system was initially introduced in the 1970s as part of Nigeria's oil boom management strategy, designed to ensure that citizens benefited directly from the country's petroleum wealth (PWC, 2023; Amangwai & Amos, 2025). However, what began as a social welfare mechanism gradually evolved into what critics describe as one of the world's largest subsidy frauds, characterised by systematic corruption and mismanagement (African Business, 2013; Open Society Foundations, 2012; Natural Resource Governance Institute, 2022; Eseoghene & Erude, 2023).

The historical trajectory of subsidy management reveals recurring patterns of reform attempts and reversals. On New Year Day in 2012, President Goodluck Jonathan announced the removal of fuel subsidy with citizens receiving no prior warning (African Business, 2013). This attempt sparked massive nationwide protests known as "Occupy Nigeria," which ultimately forced the government to partially reverse the policy (Global Nonviolent Action Database, 2012; Premium Times, 2012). The failure of the 2012 reform attempt established a precedent that would influence subsequent policy decisions and public expectations (Adebogun *et al.*, 2024; McCulloch *et al.*, 2021).

Subsequent administrations continued to grapple with the subsidy burden, with various attempts at gradual removal and policy modifications. House of Representatives investigations revealed that over \$10 billion was stolen by NNPC and others in the fuel subsidy scam, highlighting the scale of corruption that had become endemic to the system (Gazette Nigeria, 2022; NNPC Annual Reports, 2020-2022). The Buhari administration's attempts to address these issues through institutional reforms and anti-corruption measures achieved limited success (CBN Economic Reports, 2015-2023; NBS Statistical Bulletins, 2018-2023).

Fuel Subsidy Removal, Corruption, and Social Inclusion/Exclusion in Nigeria

Nigeria's fuel subsidy removal is one of the most contentious economic reforms in the country's recent history, with implications for corruption, social inclusion, and exclusion. There exists an interaction between subsidy policies, governance challenges, and socio-economic outcomes that reshape the social contract between the state and its citizens (McCulloch *et al.*, 2021; Adebogun *et al.*, 2024). The subsidy challenge extends beyond economic policy to fundamental questions of governance legitimacy and state-citizen relationships (Gamette & Oteng, 2024; Dickson, 2024). As reported by various civil society organisations and policy analysts, the transparency and accountability challenges evident in Nigeria's fiscal management have created a context where subsidy reform becomes politically fraught and socially divisive (BudgIT Annual Report, 2019; Adinoyi & Kpae, 2024).

Studies establish an interconnected system where fiscal reforms, governance quality, and social equity are in constant tension. McCulloch *et al.* (2021) provided an important starting point, showing that public resistance to subsidy reform is rooted not just in economic hardship but in a profound lack of trust in institutions. Many Nigerians believe that government corruption undermines the credibility of compensation programs, making even well-intentioned reforms appear suspect. Adebogun *et al.* (2024) build on this by arguing that corruption magnifies the negative effects of subsidy removal, eroding transparency and accountability. In their view, what might otherwise be an economically sound policy becomes a socially destabilising one, fuelling unrest and public dissatisfaction. Social exclusion is one of the main themes. The fuel subsidies valued at about USD 3.9 billion, which is almost twice the amount allocated to the health sector, in Nigeria have been lauded so long as a strategy to protect the weak. However, when they are eliminated, low- and middle-income families appear to be affected most as the cost-of-living increases and the purchasing power decreases (Agama & Onum, 2025; Akintoye *et al.*, 2025). Such unequal effect

is a source of rebound to current disparities, which is a type of economic exclusion. To a larger extent, Bemgba and Adadu (2025) identify that the rural populations, including those in Nasarawa state, experience greater poverty levels with the removal of subsidies, whereas Meludu *et al.* (2023) have provided data manifested in food price inflation in Southeastern Nigeria. Once again, Hassan (2025) emphasises the impacts of the subsidy on the sector of education to make them susceptible. They observed that increased transportation and operating costs generate new access barriers, thus precluding future generations from cycles of disadvantage.

Even the palliative steps, which were to cushion the blow, have received controversy. According to Adinoyi and Kpae (2024), transparency grounds have been lacking in the distribution, and the historical level of corruption in cases of COVID-19 assistance is contributing to the existing perception of corruption. Their request for more inclusive stakeholder participation also shows that they are concerned with the clientelist networks receiving such benefits themselves and exacerbating the situation instead of relieving it. In addition, Gamette and Oteng (2024) draw a parallel between Ghana and Nigeria and demonstrate that the replacement of subsidies by both states led to popular outrage, calling out the perceived corruption and poor management of revenues. This shows that the case of Nigeria is not unique but a continuation of a wider corruption governance issue in oil-dependent economies. The removal of fuel subsidy in Nigeria cannot be viewed only as an economic reform. It is an institutional and social phenomenon that is creating new channels of corruption and deepening the patterns of exclusion, thereby necessitating an integrated analytical framework to help better understand its consequences.

Theoretical Framework

This study adopts Institutional Theory and Social Exclusion Theory to explain how corruption influences social inclusion and exclusion patterns in Nigeria's post-subsidy regime.

Institutional Theory

Institutional theory was introduced by North (1990) and later expanded by Acemoglu and Robinson (2012) in their work on why nations fail. At its core, the theory argues that institutions, both formal rules such as laws and constitutions, and informal norms such as traditions and codes of conduct, shape the incentives that drive human behaviour and determine a society's economic and social outcomes (North, 1990; North, 1991). In other words, the "rules of the game" influence how resources are distributed, how power is exercised, and how opportunities are either expanded or restricted.

Applied to the removal of fuel subsidies, institutional theory helps clarify why such a major policy shift can have effects beyond its immediate economic rationale. In settings where governance institutions are already weak, as in Nigeria, institutional changes can open up new opportunities for both positive reforms and opportunistic exploitation. Helmke and Levitsky (2004) note that when formal institutions fail to function effectively, informal ones often step in, sometimes complementing formal rules, but often undermining them. The situation can also be traced in the Nigerian history of weakly enforced rent-seeking and political patronage, which gives the informal networks space to flourish (Lewis, 2007).

In this sense, corruption is not just an outcome of personal greed but is more expected due to the institutional set-up that comes up with perverse incentives or lack of restraints (Lambsdorff, 2007). The repurposing of formerly subsidised money in the post-subsidy environment is, at once, a new source of politically contested space as money passively comes into new possession of elites, as a politicised resource in the service of post-subsidy development goals. The character and strength of the institutional framework overseeing the management of these resources define whether they are utilised in an inclusive or extractive way. Particularly pertinent in this respect is the difference that Acemoglu and Robinson (2012) draw between inclusive and extractive institutions; the former tend to introduce transparency and accountability, and equal accessibility of opportunities, whereas the latter aggravates inequality and exclusion by concentrating benefits among a limited number of power holders. This is therefore a critical moment in the Nigerian context, and institutional decisions about subsidy removal will render sink or source of inclusive development or yet another elite looting tool.

Social Exclusion Theory

A more useful framework to explore the nature of corruption can be found in what was originally conceptualised by Sen (2000) as social exclusion theory, later articulated by Silver (2007). According to Sen (2000), social exclusion is the mechanism by which individuals or groups are denied access to the social, economic, and political life of society. This definition extends beyond material deprivation to encompass relations and structures of inequality.

Silver (2007) outlines three paradigms of social exclusion. The solidarity paradigm concentrates on questions of social cohesion and common moral values. The specialisation paradigm highlights disadvantage caused by personal attributes and discriminatory acts. The monopoly paradigm focuses on how dominant groups maintain benefits by shutting out others. The monopoly paradigm is particularly applicable to Nigeria, where it aligns with entrenched power relations and control of significant resources.

In Nigeria, corruption often induces social exclusion while also functioning as a means of exclusion. It constrains access to public services, generates economic exclusion, and reduces political participation (Ogundiya, 2009). These mechanisms may shift in a post-subsidy context: changes in resource flows and governance can open spaces for inclusion but also reinforce exclusion where institutions remain weak.

A multidimensional approach to inclusion articulated by Kabeer (2006) raises the argument further by asserting that true inclusion requires more than resource availability. It also demands agency, the capacity to make informed choices and achieve material goals. This perspective is valuable in evaluating corruption before and after subsidy removal, as it highlights the intersection of resource allocation, decision-making, and lived experiences across social groups.

These perspectives establish that corruption is not just an outcome of weak institutions but also a force that actively drives exclusionary processes. As Rothstein and Uslaner (2005) point out, corruption and social exclusion often reinforce each other: corrupt institutions systematically deny certain groups access to resources and opportunities, while those same excluded groups may turn to corrupt practices as

survival strategies. This cycle not only entrenches inequality but also further erodes institutional integrity, creating a self-perpetuating dynamic that is difficult to break.

Methodology

Research Design

This study adopts a conceptual research design guided by a meta-synthesis approach, which is a systematic method of integrating the findings of both theoretical and empirical literature to develop new frameworks (Torraco, 2005). Meta-synthesis goes beyond merely summarising research and, in this case, reports; it interprets and combines their findings to produce theory-driven insights. It is a highly suitable methodology for untangling the association between corruption, social inclusion, and exclusion in post-subsidy Nigeria because it enables the synthesis of diverse arguments into a coherent and analytically structured framework.

Research Philosophy

The study adopts an interpretivist paradigm, which focuses on the construction and lived experiences of social realities, particularly corruption and exclusion (Schwandt, 2000). This perspective helps unravel the multiple meanings created by stakeholders in Nigeria, while recognising the influence of history, politics, and culture in shaping those experiences.

Data Sources

To address the information gap, the study draws on peer-reviewed literature in political science, economics, sociology, and African studies, as well as Nigerian government policy reports, reports from international organisations (World Bank, IMF, UNDP), and publications from civil society (Transparency International, CISLAC). Public opinion data from Afrobarometer and corruption perception indices provide empirical grounding, while newspaper reports offer real-time documentation.

Literature Search and Selection

Searches covered databases such as Web of Science, Scopus, JSTOR, Google Scholar, African Journals Online and Nigerian university repositories. Keywords included “corruption,” “social inclusion,” “social exclusion,” “fuel subsidy,” and “Nigeria,” combined with Boolean operators AND, OR, and ‘-’. Sources from 1999–2024 were prioritised to cover democratic-era governance. Inclusion criteria focused on relevance, methodological quality, and credibility.

Analytical Framework

Analysis combined thematic analysis (Braun & Clarke, 2006) with meta-synthesis techniques. Thematic analysis involved coding literature to identify recurring patterns in how corruption interacts with social inclusion/exclusion. Meta-synthesis then integrated these themes, resolving contradictions between studies by considering differences in context, method, or period. This process led to the development of a unified conceptual framework linking institutional theory and social exclusion theory. Conceptual mapping (Miles & Huberman, 1994) was used to visualise relationships among variables such as rent-seeking, governance quality, and exclusion mechanisms.

Ethical Considerations

While no human participants were involved, the research followed academic ethical standards (Israel & Hay, 2006). All sources were fully attributed, interpretations remained faithful to the authors’ original meanings, and contradictory evidence was presented fairly. Transparency was maintained through clear documentation of search strategies, selection criteria, and analytical steps.

Limitations

Limitations include dependence on existing literature, possible publication and language bias, and gaps in data on recent post-subsidy developments. Findings were interpreted with these constraints in mind.

Result and Discussion

Subsidy as a Rent-Seeking Mechanism

Nigeria's fuel subsidy framework, established through the Price Control Act of 1977, evolved into what Acemoglu and Robinson (2012) characterise as extractive institutions that created systematic rent-seeking opportunities. Rent-seeking refers to the pursuit of economic gain through manipulation or exploitation of the political and regulatory environment, rather than through productive economic activity (Krueger, 1974). The subsidy system, which began in the 1970s during the oil boom, institutionalised corruption across multiple governance layers and altered the nation's fuel pricing dynamics (ActionAid, 2024).

The rent-seeking mechanisms operated through what Silver (2007) monopoly paradigm identify as a deliberate barrier creation by powerful groups. Investigation reports reveal a mirage of systematic fraud through inflated subsidy claims, with the House of Representatives documenting over \$10 billion stolen by the NNPC (Gazette Nigeria, 2022; NNPC Annual Reports, 2020–2022). The EFCC Investigation Reports (2012–2023) and ICPC Annual Reports (2018–2023) revealed the normalisation of these practices, resulting in systematic failures that fuel poverty rather than alleviate it.

Despite fuel subsidies amounting to over USD 3.9 billion, which is nearly double the national health budget, the system failed to achieve poverty reduction objectives over three decades (McCulloch, Moerenhout, and Yang, 2021; PWC, 2023). Instead, the framework enabled what Lambsdorff (2007) describes as institutional arrangements with perverse incentives for opportunistic behaviour.

Elite Capture and Resource Distribution

The pre-subsidy regime exemplified elite capture mechanisms that reinforced existing social hierarchies through preferential access to rent-seeking opportunities. Social exclusion theory's monopoly paradigm (Silver, 2007) illuminates how elite groups maintained exclusive access while systematically excluding marginalised populations from subsidy benefits.

Elite capture operated through informal networks that Helmke and Levitsky (2004) identify as informal institutions undermining formal rules. The subsidy system created what Joseph (1987) termed "prebendalism," where state resource access became personalized through patronage networks rather than formal channels. ActionAid (2024) documents how these networks prioritised males over females in accessing subsidy-related opportunities, exacerbating gender inequalities within patriarchal structures.

The distributive mechanisms demonstrate Sen's (2000) conception of social exclusion as prevention from full economic participation. Despite nominal universal coverage, practical benefit distribution required navigating complex bureaucratic processes and political connections that systematically excluded marginalized populations (BudGIT Reports, 2016–2023; Centre for Social Justice, 2020). This created what Rothstein and Uslaner (2005) identify as mutually reinforcing cycles between corruption and social exclusion.

Historical Fuel Price Trajectory and Transportation Impact

Nigeria's fuel price evolved from 6 kobo in 1973 to 617 naira in 2023 (See Table 1), revealing patterns of policy-induced volatility, which impacted transportation accessibility and affordability. This could be regarded as a manipulation which created barriers to affordable transportation and social hierarchies. Price hikes, rising by 614% under Shonekan and 609% during the Buhari–Tinubu era, define what Silver (2007) calls “monopoly paradigms,” where powerful groups deliberately block access for others. These price fluctuations encouraged rent-seeking and effectively shut out already marginalised groups, who could no longer afford fair transport costs (ActionAid, 2024). In this way, the calculation of a “fair” fuel price became a mechanism of social exclusion, not a means of fairly sharing resources.

Table 1: Nigeria's Fuel Price Evolution by Administrative Periods (1973-2023)

Period	Administration	Price Change	Percentage Change	Transportation Impact
Formative Years (1973-1999)				
1973-1976	Gowon	6k to 8.45k	+40.83%	Early public transport cost increases
1976-1978	Murtala-Obasanjo	8.45k to 15.3k	+81.07%	Significant transport fare adjustments
1982-1993	Shagari-Babangida	15.3k to 70k	+357.52%	Major transport sector restructuring
Transition Era (1993-2003)				
1993	Shonekan	70k to N5	+614.29%	Transport crisis and public protests
1993-1999	Abacha-Abubakar	N5 to N20	Variable	Transport sector instability
Democratic Consolidation (2000-2015)				
2000-2007	Obasanjo	N20 to N75	+275%	Gradual transport cost escalation
2007-2015	Yar'Adua-Jonathan	N75 to N87	+16%	Relative price stability
Contemporary Challenges (2015-2023)				
2015-2023	Buhari-Tinubu	N87 to N617	+609%	Transportation accessibility crisis

Economic exclusion occurred through regressive distribution patterns in which corruption diverted funds meant for the public into elite networks (Ogundiya, 2009; NRG, 2022). This diversion prevented marginalised groups from accessing affordable transport services. As a result, social exclusion was ensured to the point of blocking full social and political participation (Sen, 2000). This was before the democratic regime was introduced in 1999. Informal rules and norms, shaped by corrupt subsidy practices, favoured certain groups while undermining the welfare of others, women and the disabled, by limiting their access to transportation (ActionAid, 2024).

Political exclusion also ensued from corruption within the subsidy system, weak governance institutions, and rent-seeking behaviours (Lewis, 2007). Citizens without political connections were excluded from direct government benefits and wider economic opportunities, including affordable transportation. This long-term marginalisation eroded social stability and reduced trust in state institutions, as those who experienced corruption were more likely to oppose subsidy reforms (McCulloch, Moerenhout, & Yang, 2021).

The transportation sector was hit hardest. Corruption-driven exclusion and fuel price fluctuations created barriers to mobility, reinforcing existing social hierarchies. Vehicle ownership became concentrated in the hands of elites, while unpredictable operating costs for transport services were routinely passed on to commuters through fare increases.

Institutional Changes in the Post-Subsidy Era

North's (1990) conception of institutions as "rules of the game" presents a strong basis for analysing how abrupt policy changes can disrupt established institutional equilibria and lead to unintended consequences for social inclusion. The dramatic price increase from N87 to N617 (609% increase) between 2015 and 2023 may be regarded as the most severe transportation accessibility crisis in Nigeria's post-independence history. This period suggests what Rothstein and Uslaner (2005) identify as the mutually reinforcing relationship between corruption and social exclusion; in this instance, corrupt institutions exclude certain groups while excluded groups resort to alternative coping mechanisms that further weaken institutional quality and social cohesion.

President Bola Ahmed Tinubu's May 29, 2023, abrupt announcement of removal represented what March and Olsen (1989) term "critical junctures" that reshape institutional structures. The sudden nature of the removal, criticised as too abrupt (Al Jazeera, 2023; Sahara Reporters, 2023), contrasts with previous attempts dating back to the 1970s. This contrasts with the 2012 attempt by President Jonathan, which sparked massive protests and subsequent reversal, demonstrating how institutional path dependence creates resistance to policy changes (Global Nonviolent Action Database, 2012; Adebogun *et al.*, 2024).

Table 2: Institutional Changes and Social Exclusion Patterns in Post-Subsidy Nigeria

Institution	Pre-Subsidy Function	Post-Subsidy Changes	Exclusion Mechanisms	Responsible Actors
NNPC Limited	Subsidy administrator	Market-based pricing	Limited transparency in pricing decisions	Federal Government, NNPC Management
State Governments	Indirect beneficiaries	Palliative distributors	Targeting failures, elite capture	State Governors, Local Officials
Social Protection Agencies	Limited role	Enhanced mandate	Inadequate coverage, bureaucratic barriers	NSIP, Ministry of Humanitarian Affairs
Regulatory Bodies	Price controllers	Market monitors	Weak enforcement capacity	PPRA, DPR, Regulatory Officials
Financial Institutions	Transaction facilitators	Direct payment systems	Digital exclusion of rural populations	CBN, Commercial Banks

Table 2 displays the institutional changes and social exclusion patterns in post-subsidy Nigeria, showing that major changes due to the subsidy include market prices, palliative distribution and payment process. Dickson's (2024) analysis using linkage politics theory reveals how domestic subsidy policies link with Nigeria's international positioning. In this way, subsidy removal may be understood to affect external relations by influencing trade ties and investment opportunities with strategic development partners, showing how internal institutional changes can have global consequences. The historical pressure from international financial organisations for subsidy removal as part of economic liberalisation programs exemplifies what DiMaggio and Powell (1983) describe as coercive isomorphism, where institutional changes occur due to external pressures rather than internal optimisation.

Corruption Dynamics in Post-Subsidy Nigeria

The post-subsidy regime has created new corruption opportunities while eliminating traditional rent-seeking mechanisms. Institutional theory's emphasis on formal versus informal rules (Helmke & Levitsky, 2004) illuminates how corruption persists through adapted institutional arrangements. Adebogun *et al.* (2024) reveal

that corruption undermines governance in the post-subsidy regime through transparency deficits in palliative distribution mechanisms. The institutional void created by subsidy removal has been filled by discretionary programs vulnerable to elite capture. Adinoyi and Kpae (2024) noted that previous transparency failures, especially during COVID-19 palliative distribution, have led to major public doubts toward current reform initiatives.

The COVID-19 palliative experience revealed persistent institutional weaknesses that continue to plague subsidy removal efforts. Response Monitoring Committee (2021) and BudgIT COVID-19 Transparency Reports (2020–2021) reported targeting failures and corruption, which illustrates institutional path dependence. These experiences, McCulloch, Moerenhout, and Yang (2021) would identify as credibility deficits, where citizens viewing government as corrupt become more opposed to reforms, a finding supported by NOI Polls (2023) and Afrobarometer (2022–2024).

Social Inclusion and Exclusion Mechanisms

According to ActionAid (2024), 75% of females face educational dropout risks compared to 70% of males, and 58% for males versus 65% differential impact on

employment access (See **Table 3**). This suggests that females face gendered institutional failures and that institutional changes interact with existing social hierarchies, leading to major exclusion. State governments bear primary responsibility for palliative distribution failures, while federal institutions like NSIP and the Ministry of Humanitarian Affairs struggle with inadequate coverage and bureaucratic barriers. The Central Bank of Nigeria's digital payment systems, intended to improve

transparency, have rather formed new exclusions for rural populations lacking digital access (Aruwa *et al.*, 2025). The transformation has shifted corruption from centralised rent-seeking in the NNPC to distributed opportunities across states and federal agencies responsible for social protection. This fragmentation makes oversight more challenging and creates entry points for corrupt practices, which further suggests how institutional changes can transform rather than eliminate corruption dynamics.

Table 3: Specific Post-Subsidy Exclusion Measures and Instances (May 2023 - 2024)

Category	Specific Measure/Policy	Exclusion Instance	Affected Population	Citation
Economic Exclusion				
Digital Payment Systems	CBN's cashless policy for palliatives	Rural populations without bank accounts excluded	60% of rural Nigerians	ActionAid (2024)
Transportation Costs	609% fuel price increase	Private car ownership concentration among elites	Low-income households	Economic Research Studies (2024)
Agricultural Inputs	Removal of fuel subsidies for farming	Higher input costs for smallholder farmers	Northeast farmers	IFPRI (2024); World Bank Nigeria Agricultural Studies (2023)
Social/Cultural Exclusion				
Education Access	Increased transportation costs to schools	75% female vs 70% male dropout risk	Female students disproportionately	ActionAid (2024)
Healthcare Access	Higher ambulance/transport costs	Reduced access to medical facilities	Rural communities	Hassan (2024)
Academic Institutions	Increased operational costs	Rise in academic corruption and social vices	University students	NUC Reports (2023); JAMB Studies (2024)
Political Exclusion				
Palliative Distribution	Lack of transparent targeting mechanisms	Elite capture of benefits	Marginalized communities	Adinoyi and Kpae (2024)
Policy Consultation	Abrupt subsidy removal announcement	No prior consultation with affected groups	Civil society organizations	Sahara Reporters (2023)
Youth Participation	Limited inclusion in policy formulation	Youth excluded from governance decisions	Young people	Olojede (2024)

Economic Inclusion/Exclusion

The regressive nature of subsidy removal, where those least able to absorb shocks bear the greatest burden, has been consistently documented (Hassan, 2024; Bemgba & Adadu, 2025; National Statistical Office Reports, 2023–2024). Simulation reports confirm similar inflationary effects across sectors (CBN Monetary Policy Reports, 2023–2024), with cascading impacts on food security and essential services.

The most pronounced exclusionary mechanism operates through what Sen (2000) identifies as capability deprivation, where economic shocks prevent individuals from achieving basic functioning. The 609% fuel price increase in the last two years snowballs into transportation barriers that exclude low-income populations from economic opportunities. It also concentrates private vehicle ownership among elites who can afford the new pricing regime.

Rural-urban disparities is a key exclusionary mechanism, with Raji and Sulaiman (2018) proving that subsidy removal disproportionately impacts rural residents, while Bemgba and Adadu (2025) noted rising poverty levels in rural areas. Impact assessments from Northeast Nigeria reveal that smallholder farmers and agricultural market actors are especially vulnerable, facing higher costs for transport and inputs (Northeast Development Commission Reports, 2023; IFPRI, 2024; World Bank Nigeria Agricultural Studies, 2023).

The CBN's digital payment systems for palliatives, while intended to improve transparency, have created new forms of financial exclusion. Approximately 60% of rural

Nigerians lack bank accounts necessary to access digital payments, which are technological barriers for the populations they aim to serve (ActionAid, 2024). Some other specific economic excuses include market vendors who reported fewer customers as transportation costs soared, leading some to close their businesses. Interstate bus fares increased by 403.5%, airfares by 280.7%, and water transport fares by 148.8% over the same period (Adebayo, 2025).

Social and Cultural Inclusion/Exclusion

Exclusionary effects extend to educational institutions, with Hassan (2024) linking subsidy removal impacts on academic institutions to social vices such as robbery and academic corruption. The increased transportation costs have created what Kabeer (2006) terms barriers to accessing educational opportunities, with females disproportionately affected due to existing cultural constraints on their mobility. Youth exclusion from governance contributes to development challenges (Olojede, 2024), with subsidy removal effects worsened by the absence of meaningful participation channels for young people. This exclusion from policy formulation processes, Silver (2007) regards as a monopoly paradigm, where powerful groups make decisions that affect excluded populations without their input.

The exclusionary effects extend to environmental and health outcomes, with Akintoye *et al.* (2025) warning that subsidy removal may worsen inequality and fuel discontent without inclusive frameworks. Healthcare access has been particularly affected, with increased ambulance and

transportation costs creating barriers to medical facility access, especially for rural communities (Hassan, 2024). Rising fuel and transport costs in Nigeria have deepened social and cultural exclusion. In Borno State, girls face heightened barriers to secondary education due to transport challenges and social norms (Humangle Media, 2023). Rural healthcare has suffered as higher fuel costs strain emergency medical services (Digitech Computer, 2023). Religious participation has declined as travel becomes unaffordable (Business Day, 2023). Cultural festivals face reduced attendance for the same reason, limiting community interaction and reinforcing exclusion (Al Jazeera, 2023).

Political Inclusion and Exclusion

The political exclusion mechanisms in post-subsidy Nigeria operate through what Helmke and Levitsky (2004) identify as informal institutions that undermine formal democratic processes. The abrupt nature of Tinubu's May 29, 2023 announcement exemplifies exclusionary policymaking, where affected populations were not consulted before implementation (Sahara Reporters, 2023). Specific Political Exclusion instances include Lagos State's N25,000 Cash Transfer Program, which was limited to 100,000 households with opaque selection criteria, excluding the majority of eligible beneficiaries (ActionAid, 2024). Again, the Federal Government's CNG Bus Initiative, which was concentrated in urban centres like Abuja and Lagos, excluded rural communities from alternative transportation options. More so, NSIP palliative expansion, despite increased funding, favours politically connected communities over vulnerable populations (Adinoyi and Kpae, 2024).

The lack of transparent targeting mechanisms reveals that political networks determine access to compensatory benefits and exclude marginalised communities who lack political connections (Adinoyi and Kpae, 2024). For instance, the Federal Government's promise of N8,000 monthly cash transfers reached less than 30% of intended beneficiaries, with distribution concentrated in politically favourable constituencies.

Organisations like the Nigeria Labour Congress (NLC) and Trade Union Congress (TUC) were excluded from pre-announcement consultations, despite representing millions of affected workers. This exclusion from political participation creates what Lewis (2007) identifies as weakened governance institutions that facilitate continued exclusionary practices while reducing accountability mechanisms for policy implementation.

Interlinkages: Corruption and Social Inclusion/Exclusion

Corruption and exclusion mechanisms are intertwined in complex feedback loops, as the literature indicates. McCulloch, Moerenhout, and Yang (2021) demonstrate that perceptions of corruption have a direct impact on reform acceptance, while Adebogun *et al.* (2024) show that corruption directly worsens the consequences of subsidy removal by undermining transparency and accountability in governance. This creates a vicious cycle, as inefficient practices turn corrupt economic policies into seemingly rational processes, leading to social instability that can provoke dissatisfaction and unrest.

The comparative study by Gamette and Oteng (2024), focusing on oil-producing economies in West Africa, Ghana and Nigeria, identifies similar patterns in the impacts of fuel-subsidy removal, including citizen-policymaker

confrontations involving allegations of widespread corruption and inefficient revenue collection. This suggests that the corruption-exclusion nexus is not merely country-specific but rather indicates that oil-dependent economies tend to be institutionally fragile across the board.

Regional and Rural-Urban differences

The rural-urban divide in expectations regarding the social contract is clear in relation to subsidy withdrawal. Raji and Sulaiman (2018) believe that rural communities have other expectations and dependences when it comes to state support and are therefore more sensitive to the impacts of removing subsidies. Household surveys show that rural households bear a heavier burden due to their reliance on fuel for transport, agriculture, and services (Agricultural Development Programs Reports, 2023; Federal Ministry of Agriculture Studies, 2024).

The agricultural sector's fuel dependence creates cascade effects, impacting food security and rural livelihoods. A similar impact on rural farmers suggests that rural exclusion is systemic (Federal Ministry of Agriculture and Rural Development, 2024; Nigerian Statistical Association Reports, 2023; IITA, 2024; FAO Nigeria, 2023).

Sectoral Variations

Price increases for essential food commodities in Southeastern Nigeria (Meludu *et al.*, 2023), and specific impacts on educational institutions in the North east and west (Hassan, 2024) are more aggravated compared to other parts of the country. These indicate different sectors experience different degrees of impact, with fuel-dependent sectors like agriculture and transportation bearing disproportionate burdens that translate into broader social exclusion patterns.

Social Contract Renegotiation and Palliative Measures

Successful subsidy reform requires fundamental reconstruction of the social contract between the state and citizens, with implications beyond domestic boundaries. The social contract dimension is complicated by religious and cultural factors, as religious affiliation and the delivery of reasonable national and local services improve public acceptance of reform (McCulloch *et al.*, 2021), suggesting that social cohesion and trust in governance institutions are crucial mediating factors in policy success. Subsidy policies become major expectations about state-citizen relationships, making reform challenging in contexts where governance legitimacy is already questioned. In this way, subsidy removal indicates economic policy adjustment and renegotiation of social contracts that have developed over decades.

Successful subsidy reform requires major mitigation strategies that addresses both immediate hardships and longer-term governance challenges. Learning from historical failures, particularly the 2012 subsidy removal attempt, helps to convey the importance of adequate preparation and public consultation (Policy and Legal Advocacy Centre, 2022; Centre for Democracy and Development, 2023; Nigerian Economic Summit Group, 2023; Brookings Institution Africa Studies, 2024). Despite reforms, conditional cash transfers and social intervention programs were poorly targeted, often excluding vulnerable rural populations (Bemgba and Adadu, 2025). International best practices stress targeted approaches, with comparative cases

from Indonesia, India, and Mexico showing the value of robust institutional frameworks and gradual implementation (IISD, 2023; World Bank Global Experience Studies, 2022; Asian Development Bank, 2024).

Comparative insights from India's clean fuel initiatives suggest that sustained support, subsidised refills, and attention to socio-economic barriers are key to long-term success (Gaikwad, Pandey, & Patil, 2024). This suggests that Nigeria's abrupt approach hindered trust-building, with experts recommending gradual implementation supported by strong institutional frameworks and effective targeting mechanisms.

Theoretical Synthesis and Framework Development

How Weak/Strong Institutions Shape Outcomes

Nigeria's post-subsidy experience shows that the quality of institutions can make or break policy outcomes of social inclusion. Drawing on North's (1990) institutional theory, the country's weak formal institutions, marked by poor enforcement and regulatory capture, have created fertile ground for corruption and exclusion. The NNPC's theft of over \$10 billion is a striking example of what Acemoglu and Robinson (2012) describe as extractive institutions, where power and resources are concentrated in the hands of a few (EFCC Investigation Reports, 2012–2023; NNPC Annual Reports, 2020–2022).

March and Olsen's (1989) "logic of appropriateness" helps explain how corrupt practices became normalized within Nigeria's subsidy system, embedded in governance culture and resistant to change. Pierson's (2000) concept of path dependence further shows why exclusionary patterns persist even after regime changes, once institutional arrangements take root, they tend to shape and limit current policy options. Helmke and Levitsky's (2004) work on informal institutions sheds light on how patronage networks operated alongside formal subsidy frameworks, systematically sidelining marginalized groups while benefiting politically connected elites (ActionAid, 2024; BudgIT Reports, 2016–2023).

Finally, DiMaggio and Powell's (1983) institutional isomorphism theory explains the role of international actors. Under pressure from the IMF and World Bank, Nigeria's subsidy removal reflected coercive isomorphism, changes made to satisfy external demands rather than strengthen domestic capacity. As Dickson (2024) notes, the sudden rollout without adequate social protections revealed a deep mismatch between policy ambitions and the country's ability to implement them effectively.

Multiple Pathways and Dimensions of Exclusion

Social exclusion theory clearly explains how subsidy policies can deepen marginalisation. Sen's (2000) capability approach helps explain how the removal of fuel subsidies in Nigeria limited people's ability to achieve basic functioning. For instance, education access fell for 75% of females compared to 70% of males, reflecting a gendered form of capability deprivation (ActionAid, 2024).

Silver's (2007) three paradigms of social exclusion can all be seen in Nigeria's post-subsidy reality. The solidarity paradigm plays out in cultural exclusion, with participation in religious gatherings dropping by 30% and attendance at traditional festivals declining sharply. The specialisation paradigm captures the economic exclusion evident in market segmentation, where rural populations shoulder

disproportionate burdens (Raji & Sulaiman, 2018; Bemgba & Adadu, 2025). The monopoly paradigm reflects political exclusion, where elites capture the distribution of palliatives, keeping benefits within tight networks of privilege (Adinoyi & Kpae, 2024).

Kabeer's (2006) framework, looking at exclusion from resources, agency, and achievements, adds further depth. Resource exclusion is visible in the digital payment barriers that affect 60% of rural Nigerians. Agency exclusion emerges in the lack of meaningful opportunities for citizens to participate in subsidy policy decisions. Achievement exclusion is seen in worsened education outcomes and reduced healthcare access (Hassan, 2024; NUC Reports, 2023). Together, these patterns reveal how subsidy removal doesn't just alter prices—it reshapes the social fabric in ways that leave the most vulnerable even further behind.

New Conceptual Model Linking Corruption, Institutions, and Inclusion/Exclusion

This study proposes an integrated Corruption-Institution-Exclusion (CIE) framework that synthesizes institutional theory and social exclusion theory to explain Nigerian policy outcomes. The framework identifies three interconnected mechanisms:

Institutional Corruption Pathways: Weak formal institutions create rent-seeking opportunities that become embedded through informal networks. Rothstein and Uslaner's (2005) mutually reinforcing cycle between corruption and exclusion operates through institutional channels, where corrupt practices exclude certain groups while excluded groups resort to corrupt coping mechanisms.

Exclusion Multiplication Effects: Policy changes interact with existing institutional arrangements to create multiple, reinforcing exclusion dimensions. The framework demonstrates how single policy interventions (subsidy removal) generate cascading exclusion effects across economic, social, and political domains simultaneously.

Institutional Feedback Loops: Exclusionary outcomes reshape institutional arrangements, creating path-dependent trajectories that resist reform efforts. McCulloch, Moerenhout, and Yang's (2021) finding that citizens viewing government as corrupt oppose reforms illustrates how exclusion undermines institutional legitimacy, complicating future policy implementation.

Theoretical Implications for Practice, Research, and Policy

Practice Implications

The CIE framework suggests practitioners must address institutional quality before implementing major policy reforms. Social protection programs require robust institutional foundations to prevent elite capture—Nigeria's experience demonstrates that weak targeting mechanisms reproduce exclusionary patterns rather than mitigating them (COVID-19 Response Monitoring Committee, 2021). Practitioners should implement gradual institutional strengthening alongside policy reforms, using transparent mechanisms that build public trust incrementally.

Digital inclusion strategies must account for existing technological barriers. The CBN's digital payment systems excluded rural populations, suggesting practitioners need comprehensive digital literacy programs and infrastructure development before implementing technology-based solutions (ActionAid, 2024). Gender-responsive approaches

require specific attention to differential impacts, as demonstrated by higher female dropout rates and employment losses.

Research Implications

Future research should examine institutional quality as a mediating variable between policy interventions and social outcomes. The Nigerian case suggests that policy effectiveness depends more on institutional capacity than policy design quality. Comparative studies across different institutional contexts could identify optimal sequencing strategies for major economic reforms.

Longitudinal research is needed to understand exclusion pathway evolution over time. The persistence of exclusionary patterns despite regime changes indicates research should focus on institutional path dependence mechanisms rather than short-term policy impacts. Mixed-methods approaches combining quantitative impact assessments with qualitative institutional analysis provide more comprehensive understanding of complex policy outcomes.

Policy Implications

Policymakers must prioritise institutional strengthening before major economic reforms. The Nigerian experience demonstrates that weak institutions transform potentially beneficial policies into exclusionary mechanisms. Sequential reform approaches that gradually build institutional capacity while implementing policy changes may achieve better outcomes than abrupt comprehensive reforms.

Social protection systems require transparent, accountable distribution mechanisms to prevent elite capture. Policymakers should invest in institutional infrastructure for targeting, monitoring, and evaluation systems before expanding social protection coverage. International development partners should support institutional development alongside policy advocacy to ensure sustainable reform implementation.

Conclusion and Recommendations

The case of post-subsidy Nigeria explains the risks of weak institutional capacity compounded by structures of exclusion, even when economic policy reforms are well-intentioned. Although the removal of subsidies was justified on fiscal grounds, its implementation, lacking institutional safeguards and with only limited social protection measures, contributed to rising economic inequalities and social divides. Institutional theory shows how extractive arrangements, regulatory capture, and patronage systems enabled corruption to thrive, while social exclusion theory reveals how these same processes translated into gendered, geographic, cultural, and political marginalisation. The study revealed diminished capabilities, reduced access to essential services, and widening trust gaps between citizens and the state.

Addressing these challenges requires strengthening both formal and informal institutions in Nigeria. This includes ensuring transparency in palliative distribution, decentralising decision-making to involve vulnerable communities, and implementing social safety nets that directly target the poorest households. Gender-sensitive policies should prioritise education and healthcare access, particularly in rural regions. Leveraging digital

infrastructure to reduce payment barriers can improve resource inclusion, while participatory governance mechanisms can restore agency to marginalised groups. Finally, gradual, step-by-step reforms, accompanied by broad citizen engagement, can reduce resistance, rebuild trust, and ensure that economic policies promote both fiscal sustainability and genuine social inclusion.

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