



# Impact of Fuel Subsidies on Sustainable Economic Growth in Nigeria

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## Introduction

Studies reveal that the growing economies mainstream sustainability as a critical component of economic, social, or environmental endeavours. While developed countries recognise the role and responsibilities of sustainability in the world to create employment opportunities and inclusive growth, developing countries, however, are struggling to meet the objectives due to misconceptions. Therefore, this study investigated the impact of fuel subsidies on sustainable economic growth.

## Methodology

Data on renewable energy and consumption were adopted to represent sustainable economic growth, while fuel subsidy payment, government transfers, the pump price of petrol, inflation, and the exchange rate were gathered from World Development Indicators and other reliable sources of relevant secondary data. The study considered OLS to analyse the data, and the data ranges from 2000 to 2023.

## Results and discussion

The results revealed that fuel subsidies and inflation have a negative relationship with renewable energy consumption (SEG); meanwhile, government transfers, the pump price of petrol, and the exchange rate have a positive influence on sustainable economic growth. Except for fuel subsidy and government transfers, the pump price of petrol, the inflation rate, and the exchange rate were statistically significant.

## Conclusions

The study concluded that fuel subsidy has a significant effect on sustainable economic growth. Therefore, instead of direct subsidies, resources should be redirected toward renewable energy investments, such as solar, wind, and hydropower projects. There is also a need to strengthen research and development (R&D) funding for innovations in energy efficiency and sustainability

**Keywords:** Fuel Subsidy, Government Transfers, Inflation Rate, Pump Price of Petrol, Sustainable Economic Growth