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Fuel Subsidy Removal and Living Standard of Residents in Calabar Municipal Council Area of Cross River State, Nigeria

[1]Bassey Ekpenyong Anam, [2]Emmanuel Agi Adinya, [3]Omini Ubi Ubi, & [4]Kufre Emmanuel Uwaetteh

[1]*Institute of Public Policy & Administration, University of Calabar, Calabar*

[2,3&4]*Department of Public Administration, University of Calabar, Calabar.*

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Corresponding Author:
Bassey Ekpenyong Anam

Abstract

The study aims to examine the effect of fuel subsidy removal on the living standard of residents in the Calabar Municipal Council Area of Cross River State. It employed a survey research design. The sample population comprised 70 civil servants from the Ministries of Information, Education, Health, Agriculture, Environment, Local Government Affairs, and Internal Revenue Service. Data were obtained from primary and secondary sources. A research questionnaire tagged "*Fuel subsidy removal and living standard of residents in Calabar Municipality*" was used to generate primary data for the study. The questions were validated, and the reliability index was ascertained at 0.82. Data was analyzed using frequency count, mean, and standard deviation to analyze the research questions, while chi-square was used to test the hypothesis at a 0.05 level of significance. A threshold of 2.5 was set as the rejection level for the item statements. The results shown in Table 2 show that the respondents reacted positively to all the items. This shows that they agreed that fuel subsidy removal affects the living standards of residents of Calabar Municipality. The study concluded that while fuel subsidy removal may have positive effects on the economy in the long run, the government must provide support services through social intervention funds to cushion the effects of the fuel subsidy removal on individuals and households in the country. Among other things, it recommended that there is a need to build economic infrastructure, as a strategy to enhance the development and sustainability of small and medium businesses in the country. This will support households in savings, investment, and economic reliance.

Background to the Study

A subsidy is a direct payment from the government to a customer or provider of a particular product, in this case, petrol. Some people have even linked the end of subsidies to free trade opening up the downstream oil industry. A subsidy, sometimes called subvention, is basically a sum of money paid by the government to the suppliers (providers or producers) of a product or service so that they can sell their products or services to final consumers at a price set by the government that is less than the true cost of supply to ensure the product reaches the target customers at the control price (Encharang, Mansur, & Kogid, 2022).

However, subsidies, even when intended for good reasons, may not be the best way to administer a state, particularly in the event that the selling price falls below the production costs (Yunusa et al., 2023). When the process is not properly planned, the negative consequence may be far reaching. According to Umeji and Eleanya (2021), there will be an increase in transportation, food, and other related economic consequences. For decades, Nigerians have experienced fluctuations in fuel prices, spanning from a humble 6 kobo in 1973 to a staggering 617 naira per liter in 2023. This historical narrative unveils the intricate experience of economic policies, global market forces, and political decisions, delving into the profound impact these fluctuations have had on the nation's transportation and general cost of living. The journey through Nigeria's fuel price evolution reveals a story shaped by economic policies, global shifts, and political decisions. From Gowon to Tinubu, fuel prices responded to reforms and subsidy dynamics. A summary of the narrative of fuel pricing trajectory in Nigeria is presented below,

1973-1999: Formative Years

The early years saw relatively modest increases:

1. Gowon (1973): 6k to 8.45k (40.83%)
2. Murtala (1976): 8.45k to 9k (6.5%)
3. Obasanjo (1978): 9k to 15.3k (70%)
4. Shagari (1982): 15.3k to 20k (30.72%)
5. Babangida I (1986): 20k to 39.5k (97.5%)
6. Babangida II (1988): 39.5k to 42k (6.33%)
7. Babangida III (1989): 42k to 60k (42.86%)
8. Babangida IV (1991): 60k to 70k (16.67%)

1993-2003: Turbulent Transitions

1. Shonekan (1993): 70k to N5 (614.29%)
2. Abacha I (1993): N5 to N3.25k (price dropped 35%)
3. Abacha II (1994): N3.25k to N15 (361.54%)
4. Abacha III (1994): N15 to N11 (price dropped 26.67%)
5. Abubakar I (1998): N11 to N25 (127.27%)
6. Abubakar II (1999): N25 to N20 (price dropped 25%)

2000-2007: Obasanjo's Changes

1. Obasanjo I (2000): N20 to N30 (50%)
2. Obasanjo II (2000): N30 to N22 (price drops 26.67%)
3. Obasanjo III (2002): N22 to N26 (18.18%)
4. Obasanjo IV (2003): N26 to N42 (61.54%)
5. Obasanjo V (2004): N42 to N50 (19.05%)
6. Obasanjo VI (2004): N50 to N65 (30%)
7. Obasanjo VII (2007): N65 to N75 (15.39%)

2007-2015: Fluctuations and Peaks

1. Yar' Adua (2007): Back to N65 (price drops 15.39%)
2. Jonathan I (2012): N65 to N141 (116.92%)
3. Jonathan II (2012): N141 to N97 (price drops 31.21%)
4. Jonathan III (2015): N97 to N87 (price drops 10.31%)

2015-2023: Buhari's Era and Contemporary Challenges

i. Buhari (2016): N87 to N145 (66.67%)
ii. Buhari's term (2015-2023): N87 to N195 per litre (124% increase)

2023-2025: Tinubu's Impact (Fluctuating Prices)

i. Tinubu (2023): N195 to N557
ii. Tinubu (2023): N557 to N617
iii. Tinubu (2024): N617 to N920
iv. Tinubu (2025): Fluctuating between N920 to N1100, back to N910.

The price of petrol is not predictable in Nigeria. Continuous increases lead to inflation. Before President Buhari handed over to President Tinubu on May 29, 2023, a liter of fuel was sold for N210. In his inaugural speech as Nigeria's fifth president in the fourth republic, Bola Ahmed Tinubu said there was no provision for subsidy in the national budget and "it would have to go." The announcement led to an astronomical increase in the prices of commodities, and transportation fares also skyrocketed.

There are debates for and against this policy direction. On the positive side, experts reiterated that the government subsidized petrol in an effort to keep prices stable and keep gasoline accessible to the general public (Greve & Lay, 2023). They added that this, however, puts pressure on public finances and causes inefficiencies in the petroleum industry. Ikenga and Oluka (2023) pointed out that the considerable financial burden that subsidies place on the government's budget is one of the main justifications for the discussion about getting rid of petrol subsidies in Nigeria. The Nigerian National Petroleum Corporation (NNPC) reported that the government was subsidizing petrol at a significant portion of its budget. For instance, the government reportedly spent more than $10 billion on petrol subsidies in 2020, according to reports. This significant subsidy cost has an impact on the allocation of funds to other crucial areas like healthcare, education, and infrastructure development (Greve & Lay, 2023).

Equally, Ikenga and Oluka (2023) disclosed that eliminating petrol subsidies is also seen as a step towards fiscal consolidation and economic transformation. The government will shift subsidy savings to key areas that can boost long-term economic growth. The plan includes improved infrastructure, social programs, and economic diversification (Ikenga & Oluka, 2023). Statistics show that subsidies influence market dynamics. With subsidies, petroleum product distribution and pricing can be inefficient. They can boost demand, encourage smuggling to more expensive countries, and promote systemic corruption. Eliminating subsidies can foster market-driven resource allocation and increase competition in the petroleum sector (Ikenga & Oluka, 2023). According to the data from the Nigeria Extractive Industries Transparency Initiative (NEITI) (2023), the subsidies cost over N21 trillion between 2005 and 2023, a waste of public funds on a policy that has not helped millions of Nigerians. Between 2005 and 2021, we spent N13.7 trillion on subsidies, but between 2022 and the first half of 2023, we only paid N8 trillion (Greve & Lay, 2023).

Conversely, with the increase, commuters were forced to pay double the amounts they used to spend on transportation daily. The inflation rate in Nigeria also rose to 22.79 percent (Greve & Lay, 2023). This has resulted in untold hardship and an increase in the level of poverty. An average Nigerian with stable and comfortable living conditions before the fuel subsidy removal has suddenly transcended to an uncertain economic state (Greve & Lay, 2023). Daily, money is losing value, and increased income has little or no significance on the standard of living.

Living standards are said to have revolved around the quality of life (McGregor & Goldsmith, 1998), and that is a personal experience that varies from person to person or from one household to the other. According to Ringen (1991), the measure of standard of living is equivalent to the disposable income of individuals residing alone and, on average, surpasses the disposable income per capita for individuals residing in larger groupings. The per capita technique is widely utilized as a means of assessing living standards, employing indicators such as Gross Domestic Product (GDP) per capita and family income per individual. McGregor and Goldsmith (1998) refer to the customary manner in which a collective of individuals conducts their lives as their standard of living. According to Fah (2010), the concept of a living standard encompasses the desired commodities and services as well as the customary criteria used to assess their value. This refers to the entirety of the joyfulness, or rather, satisfaction, that individuals perceive as significant for their existence. Discussions pertaining to economic prosperity and objectives related to public welfare frequently employ the term "living standard." Shek (2020) added that the living standard is the level of well-being and quality of life that people or families in a certain society or geographic area experience. It is a broad measure that looks at many aspects of life, such as material wealth, access to basic needs, schooling, health care, housing, and social and environmental conditions (Tao, Zhi, & Shangkun, 2022).

Relative to this paper, the living standard is a multidimensional concept that includes many things that contribute to the general well-being and quality of life of people and

households in a certain culture or geographic area. It involves looking at the cost of living, how people spend their money, how much they save and invest, their material wealth, how easy it is for them to get the things they need, the social and environmental conditions, schooling, health care, and other important parts of their lives. The assumption of this paper is that the recent fuel subsidy removal has an adverse effect on the living standard of Nigerians. The price of all the commodities is quite high, affecting virtually everything in the country. Living has been difficult for the people, and the poor are not finding it that easy to cope with the cost of living anymore. The stoppage of subsidies has not only created an imbalance in the financial stability of households. It has equally reduced the income of families because of the escalating prices of goods and services. Families spend more on essentials such as food, transportation, medical care, and school fees. This has resulted in untold hardship and an increase in the level of poverty of families in Nigeria. The study therefore seeks to find out the effect of fuel subsidy removal on the living standard of residents in the Calabar Municipal Council Area of Cross River State.

Objective of the Study

The study aims to assess the effect of fuel subsidy removal on the living standard of residents in the Calabar Municipal Council Area of Cross River State. Cross River State?

Research Question

The study seeks to answer the question, what is the effect of fuel subsidy removal on the living standard of residents in the Calabar Municipal Council Area of Cross River State?

Theoretical Framework

The study leverages Karl Marx's (1984) conflict theory. The theory is based on the idea that there are always two classes in a society competing for the same limited resources, such as power, money, and status (Torrance, 1995). This study applies the theory, as the removal of fuel subsidies in Nigeria has sparked significant debate among influential individuals in the country. The higher classes seek to maintain authority and control over the distribution of fuel, while the lower classes seek to obtain it for their enterprises and other endeavors.

Nigeria has a widening wealth and poverty disparity. One extremely evident illustration of this is the disparity in the conditions of the nation's rural and urban areas. Fuel prices have increased as a result of the elimination of fuel subsidies, hurting rural sections of the nation. According to social conflict theorists, the higher class in Nigeria exploited the elimination of fuel subsidies as a pretext to oppress, exploit, and dominate the lower class in order to amass greater wealth, power, and authority. The removal of subsidies caused their economies to suffer, thereby making certain individuals and organizations wealthier at the expense of the general public.

Methodology

Research Design

This study will employ the survey research design, which is quantitative. The survey design makes use of a research questionnaire as an instrument for primary data collection. The goal of survey research as used in this study is not to describe the sample but the larger population. This generalizing ability is dependent on the representatives of the sample.

Area of Study

The Calabar Municipal Local Government area of Cross River State is the area of the study. The headquarters of Calabar Municipal is in the city of Calabar. "It has an area of 142 km² and a population of 179,392 at the 2006 census (Achum, 2017). Administratively, the city is divided into Calabar Municipal and Calabar South Local Government Areas." Also, "It has an area of 406 square kilometers (157 sq mi) and, as of the 2006 census, a population of 371,022." (Simon, 2010). He added that "both LGAs together had an estimated population of 571,500 in 2022. Calabar has three principal landlord kingdoms, namely the Qua Kingdom of Ejagham (Ekoi)/Bantu origin, the Efut, and the Efik Kingdoms" (Simeon, 2010). Calabar people are mainly people from the old Calabar province—Calabar South, Calabar Municipality, Akpabuyo, Bakassi, Biase, Odukpani, and Akamkpa—but as commonly used in Nigeria, the term "Calabar people" could also refer to the indigenes of Greater Calabar as well as the people of the original South Eastern State of Nigeria, who are at present the people of Akwa Ibom State and Cross River State. They are also predominantly civil servants and farmers.

Population and Sample of the Study

The population of Calabar Municipality Local Government Area in Cross River, Nigeria, is estimated to be 279,800 as of March 21, 2022 (City Population Statistics, 2025). The sample of the study is 70 men and women resident in the local government area. The sample population was comprised of civil servants in the Ministry of Information, Education, Health, Agriculture, Environment, Local Government Affairs, and Internal Revenue Service. From each ministry, 10 respondents were selected. The choice of the state ministries was to have a literate sample population.

Sampling Technique

Two sampling technique was used to select respondents for the study; purposive and random sampling techniques. The purposive sampling technique was used to select Calabar Municipality as the area of study. Random sampling was used to select 70 residents in the area across seven (7) Ministries in the State civil service. Staff of the Ministry of Information, Education, Health, Agriculture, Environment, Local Government Affairs, and Internal Revenue Service in the State. From each Ministry, 10 respondents were selected. The research instrument was administered to the respondents (civil servants) during official hours.

Instrument for data collection and analysis

A research questionnaire tagged "*Fuel subsidy removal and living standard of residents in Calabar Municipality*" was used to generate primary data for the study. The instrument had two sections. Section A focused on the demographic information of the respondents, while Section B contained key questions the study seeks to answer. The questions were validated, and the reliability index was ascertained at 0.82. Data was analyzed using frequency count, mean, and standard deviation to analyze the research questions, while chi-square was used to test the hypothesis at a 0.05 level of significance. A threshold of 2.5 was set as the rejection level for the item statements. 4-Point Likert Scale of Strongly Agree, Agree, Disagree, and Strongly Disagree to rate respondent's opinion: i.e., Strongly Agree was scored 4 points, Agree 3 points, Disagree 2 points, and Strongly Disagree 1 point.

Analysis and Discussion of Result

Table 1: Analysis of Bio data of respondents

Demographic Information	**N**	**%**
Gender		
Male	50	50%
Female	50	50%
Level of Education		
Ordinary National Diploma	51	51%
Bachelors' Degree	37	37%
Masters' Degree	12	12%
Doctoral Degree	-	0%
Years of Experience		
1 – 5	16	16%
6 – 10	22	22%
11 – 15	26	26%
16 – 20	25	25%
21 and Above	11	11%

Source: Field Work (2025)

Table 1 on the biodata of respondents shows that the gender distribution was proportional. 50 respondents representing 50% of the respondents were males, as well as 50 respondents representing 50% of the respondents were females. In the second category, 51 respondents representing 51% of the respondents had an Ordinary National Diploma (OND), 37 respondents representing 37% of the respondents had a bachelor's degree, and 12 respondents representing 12% of the respondents had a master's degree, while none of the respondents had a doctoral degree.

On the years of experience of respondents, it shows that 16 respondents, representing 16% of the respondents, had spent between 1 and 5 years in the job; 22 respondents 22% of the respondents, had spent between 6 and 10 years in the job; 25 respondents,

representing 25% of the respondents, had spent between 11 and 15 years in the job; 16 respondents, representing 16% of the respondents, had spent between 16 and 20 years in the job; while 11 respondents, representing 11% of the respondents, had spent 21 years and above in the job. This distribution shows that the sample population is literate and has the required experience in responding to the issue the study is investigating.

Analysis of Research Question

What is the effect of fuel subsidy removal on the living standard of residents in the Calabar Municipal Council Area of Cross River State?

Table 2: Fuel subsidy removal on the living standard of residents in Calabar Municipal Council Area of Cross River State.

Item Statement	Mean	SD	Decision
I cannot afford nutritious three-square meals for the family	2.71	0.46	Accept
Monthly, after spending on the family needs and transportation, I cannot save for investment	2.57	0.28	Accept
With the present cost of living, I cannot secure or build a decent apartment for my family	3.45	0.67	Accept
My family does have acess to good medical services	2.78	0.45	Accept
My family does have access to qualitative education	3.56	1.10	Accept
Grand Mean:	**3.01**	**0.6**	**Accept**

The result shown in Table 2 show that the respondents reacted positively to all the items. This shows that they agreed that fuel subsidy removal affects living standards of residents of Calabar Municipality. The issues of nutritious meals for the family, savings and investment, decent apartments, access to medical services and qualitative education are identified as indicators of living standard among the residents in Calabar Municipality. These items attracted mean scores of 2.71, 2.57, 3.45, 2.78 and 3.55 respectively which is above the threshold mean set as acceptance or rejection level for decision making. The cluster mean of 3.01 show that the responses indicated that both male and female agreed that these factors in the item are current state or living condition of the respondents in Calabar Municipality, in Cross River State, Nigeria.

Discussion

The result of data analysis in Table 2 shows that fuel subsidy removal on the living standard of residents in Calabar Municipal Council Area of Cross River State. Since May 29, 2023 that President Bola Ahmed Tinubu announced the removal of fuel subsidy, the inflationary rate in Nigeria has continually increased. Greve and Lay (2023) disclosed that this has resulted in untold hardship and an increase in the level of poverty. An average Nigerian with stable and comfortable living conditions before the fuel subsidy removal has suddenly transcended to an uncertain economic state. Daily, money is losing value and increase income has little or no significance on the standard of living.

This also agrees with Couharde and Mouhoud (2020) that, getting rid of petrol subsidies could make income inequality worse because higher living costs would hurt low-income groups more than they would help the rich. They added that the most vulnerable people could have trouble getting access to schooling, health care, and other basic needs if they lose their buying power. This could hurt their overall health and quality of life (Couharde & Mouhoud, 2020). The goal of removing petrol subsidies is to improve fiscal sustainability and market efficiency (Bassi, Pallaske, Bridle, & Bajaj, 2023) but it could hurt people's living standards, which raises serious questions about how well the government's social safety nets and support systems will protect vulnerable groups from the bad effects of subsidy removal.

Conclusion

The aim of the study was to examine the effect of fuel subsidy removal on the living standard of residents in Calabar Municipality. The study presents two arguments. One on the advantages that this economic policy offers, and on the other hand, the economic hardship that is currently experienced by Nigerians. With the cluster mean of 3.01, the responses from the sample population confirms strongly that fuel subsidy removal has an adverse effect on living conditions. While experts believe that the policy will have long run positive effect on the economy, the government must provide support service through social intervention funds to cushion the effects of the fuel subsidy removal on individuals and households in the country.

Recommendations

Based on the results from data analysis and the conclusion reached, the study recommends the following,

1. 1. The government must implement social intervention policies in critical areas of needs such as food, education, health, housing and transportation.
2. There is need to build economic infrastructure, as a strategy to enhance the development and sustainability of small and medium businesses in the country. This will support households in savings, investment and economic reliance.
3. The government should conduct extensive public awareness initiatives to moderate public expectations and gain support for subsidy reform. These efforts can educate citizens about the reasons for subsidy elimination, the long-term advantages, and the accompanying steps to mitigate the effects on the population.
4. There is also the need to diversify revenue sources, such as taxation, non-oil sector growth, and enhanced revenue collection procedures. Thus, will help reduce reliance on fluctuating oil prices.

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