Effect of oil subsidy removal on Nigeria's trade climate and national development prospects in Cross River State

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Abstract

This study examines the effect of oil subsidy removal on Nigeria's trade climate and national development prospects, with particular focus on Cross River State. Nigeria's long-standing fuel subsidy regime was originally designed to stabilize domestic fuel prices, cushion vulnerable populations, and stimulate economic activities. However, the policy imposed significant fiscal burdens on the federal government, constrained public expenditure on infrastructure, and contributed to market distortions. The recent removal of the subsidy has generated wide-ranging economic consequences, especially in trade-related activities. This study adopts a correlational research method. 395 respondents were selected through stratified random and purposive sampling techniques across two Local Government Areas in Cross River State, and data were obtained using a questionnaire. Data were analysed using simple linear regression to test the hypothesis. Hypothetical analysis and results indicated a statistical connection between subsidy removal and increased transportation, production costs, rising prices of goods and services, and heightened pressure on small and medium-scale enterprises in Cross River State. Import and distribution chains have been adversely affected, weakening the competitiveness of local businesses. The study recommends that the ministry of humanitarian and poverty alleviation at federal and state government should strength social safety nets and targeted support through cash transfers, transport vouchers and food subsidies for vulnerable households to cushion immediate welfare losses. This protects living standards while market prices adjust. Also, the federal government should reduce trade barriers**,** streamline customs processes, and foster logistics infrastructure to boost intra-Nigerian and cross-border trade flows helping local producers benefit from broader market access.

Keywords: Oil subsidy, trade climate, National development, Nigeria and economic impact.

Introduction

Nigeria's economy has been profoundly shaped by oil since the discovery of commercial quantities in the late 1950s. Over the decades, petroleum resources have driven national revenue, foreign exchange earnings, and budgetary allocations, making Nigeria a quintessential oil-dependent economy (Adenikinju, 2003; Iyoha & Oriakhi, 2007). By the early 21st century, crude oil accounted for over 80% of Nigeria's export earnings and roughly two-thirds of government revenues, underscoring its dominance in the economic architecture (Obi, 2010). While this dependency boosted public coffers during oil booms, it simultaneously entrenched vulnerabilities associated with price volatility, external shocks, and sectoral neglect especially in manufacturing and agriculture (Salaudeen & Akande, 2019). It is within this broader context that petroleum pricing and subsidy regimes emerged as central to governance and economic management in Nigeria.

The petroleum subsidy policy in Nigeria originated in the early 1970s, following the oil boom era, as a mechanism to insulate domestic consumers from global price fluctuations and to support affordability of refined petroleum products (Nwokoro, 2011). The National Assembly, in collaboration with the executive, instituted subsidy arrangements whereby the federal government absorbed the differential between international benchmark prices and regulated domestic pump prices. The genesis of this approach was rooted in social welfare concerns and state-led developmental aspirations, with the aim of ensuring stable and accessible energy for citizens and enterprises (Okonkwo, 2018).

Over time, however, the subsidy regime became heavily politicized and financially burdensome, characterized by systemic inefficiencies, rent-seeking, and incidences of diversion and fraud (Ezeoha & Cattaneo, 2012). Fuel subsidies, once conceived as equitable and stabilizing, gradually transformed into a fiscal albatross, consuming significant proportions of national budgets with limited evidence of commensurate social benefits (Ajakaiye & Fakiyesi, 2021). This structural distortion engendered a range of economic distortions, including dampened incentives for local refining, strained public finances, and inhibited competitiveness of non-oil sectors.

The rationale for fuel subsidies in Nigeria rested on three interlinked objectives. First, price stabilization sought to buffer consumers and producers from the sometimes abrupt swings in international oil markets, which could otherwise induce inflationary pressures and cost uncertainties (Odularu, 2008). Second, the policy was premised on social welfare considerations, especially in safeguarding low-income households from disproportionate energy cost burdens. In a country where a large proportion of the population subsists on irregular and low wage earnings, subsidized fuel was assumed to relieve cost pressures on transportation, energy, and goods (Adewumi & Fashina, 2020). Third, subsidies were intended as an economic cushioning mechanism against global shocks, such as the 1973 and 1979 oil crises, by ensuring continuity of domestic economic activities reliant on affordable energy (Akpan, 2014).

Despite these objectives, the fiscal implications of maintaining fuel subsidies have been profound. Empirical evidence suggests that for many budget cycles, subsidy expenditures rival or eclipse capital spending on infrastructure, health, and education (Sanusi, 2012). Between 2012 and 2019, for instance, fiscal outlays on petroleum subsidy claims soared into billions of dollars annually, provoking debates about fiscal sustainability and opportunity costs (World Bank, 2020). Such recurrent fiscal drains constrained public investment capacity and amplified Nigeria's reliance on oil revenue, even as global price downturns eroded earnings. The inefficiency of the subsidy system also encouraged smuggling of petroleum products into neighbouring countries where prices were higher, exacerbating domestic supply shortages and further taxing government expenditure (Ibe, 2021).

In May 2023, the administration of President Bola Ahmed Tinubu formally announced the removal of the long-standing petrol subsidy policy, signaling a decisive shift in energy and economic policy orientation (Premium Times, 2023). This policy reversal was justified as necessary for correcting structural economic imbalances, reducing wasteful public expenditure, and promoting investment in critical infrastructure. The government argued that deregulation of fuel pricing would attract private sector participation, stimulate refining capacity through market incentives, and align domestic prices with global benchmarks for efficiency (Adewale, 2024). While the immediate removal of subsidized petrol prices generated widespread debate, proponents emphasized the long-term imperatives of fiscal consolidation and macroeconomic stability.

The announcement triggered notable national reactions. Labor unions, civil society groups, and opposition political actors decried the policy as regressive, arguing that abrupt price increases would aggravate living costs, deepen poverty, and provoke social unrest (Nigerian Labour Congress, 2023). In contrast, economic analysts and private sector actors lauded the reform as overdue and consistent with global best practices in energy market liberalization (CBN, 2024). Economically, the immediate consequences were evident in sharp increases in petrol pump prices, elevated transportation and logistics costs, and attendant upward pressures on food and commodity prices (National Bureau of Statistics, 2024). These dynamics underscore the short-run inflationary and distributive effects of subsidy removal, especially in contexts where social safety nets are weak or inadequately targeted.

Trade dynamics in Nigeria are intricately connected to energy pricing. The withdrawal of subsidies has a direct bearing on import costs, since higher domestic fuel prices translate into increased operating expenses for importers, particularly in sectors such as manufacturing, logistics, and agro-processing (Onodugo, 2022). Imported goods that depend on cost-effective transportation and energy inputs become more expensive, potentially dampening demand and eroding trade margins. On the export front, energy cost structures influence the competitiveness of Nigerian products abroad. Higher energy costs increase production expenses, weakening cost competitiveness in international markets, and possibly narrowing export volumes unless offset by productivity gains or value addition (Oloruntoba & Sonaiya, 2021).

The spectre of elevated energy costs reverberates through production and distribution chains in both domestic and regional contexts. Manufacturing firms, agricultural processors, and distribution firms face higher overheads, which can compress profit margins or necessitate price increases. The logistics sector, heavily reliant on diesel and petrol, may pass incremental costs down supply chains, accumulating into higher consumer prices (Edozien, 2020). Moreover, small and medium enterprises (SMEs), with limited capacity to hedge energy cost shocks, risk contraction or closure, undermining employment and value creation.

Business confidence and survival prospects are contingent on stable and predictable cost environments. The removal of subsidy introduces pricing uncertainty in the short term, which may deter investment particularly foreign direct investment (FDI) in energy-intensive sectors (UNCTAD, 2024). However, if accompanied by structural reforms, transparent pricing, and supportive regulatory frameworks, the reform could enhance investor confidence by reducing state distortion and creating a more competitive environment. Foreign investors often interpret subsidy removal as a signal of policy credibility and market liberalization, potentially attracting capital in sectors such as downstream refining, energy infrastructure, and logistics (Akinlo & Kolawole, 2023).

At the core of Nigeria's trade climate is competitiveness. Subsidy removal has mixed implications. On one hand, it raises production costs, potentially eroding price competitiveness. On the other hand, it may compel firms to adopt efficiency improvements, modernize equipment, and optimize supply chains practices that can enhance export quality and non-oil trade diversification over time. Competitive advantage in international markets depends on capacity to innovate, add value, and leverage comparative strengths beyond energy cost arbitrage (Ismaila & Adeoye, 2022). Industrial productivity is tightly linked to energy cost stability. Historically, subsidized fuel allowed some cost savings but discouraged investments in energy efficiency and local refining capacity. With deregulation, industries face higher energy costs but also incentives to invest in alternative energy sources, cogeneration, and efficient technologies. Over the medium to long term, this may contribute to improved productivity, reduced downtime from supply shortages, and diversification of energy sources, aligning industrial operations with global sustainable practices (Ogunleye & Aladetoyinbo, 2023).

At national development prospects, fuel subsidy removal affects poverty and inequality by raising living costs while potentially expanding economic opportunities through investment and job creation in productive sectors (Okorie & Wesseh, 2024). However, without robust support mechanisms, low-income households remain

exposed to price shocks. The reform has ambiguous implications for employment. On one hand, cost pressures may force businesses to downsize (Okoro et al., 2021). On the other, reformed fiscal space can stimulate job creation through public investment initiatives and private sector growth in diversified sectors such as agriculture, tourism, and manufacturing (Otekunrin, 2018). This study is validated with the following question:

1. To what extent does subsidy removal impact the production costs and standard of living in Cross River State?

Theoretical framework

The study anchored on market liberalization theory. The theory is an economic paradigm that argues for the reduction of government intervention in markets and increased reliance on private sector mechanisms for resource allocation, production, and distribution. The intellectual roots of Market Liberalization Theory draw from classical and neoclassical economics, but its modern policy articulation gained prominence in the latter half of the 20th century. Adam Smith (1723–1790) often regarded as the foundational figure in liberal economics, Smith's The Wealth of Nations (1776) argued for the efficacy of free markets and the "invisible hand" that guides self-interest toward social benefit. Although Smith preceded formal liberalization policy frameworks, his ideas set the philosophical foundation. Theory rests on the assumptions that markets are assumed to be the most efficient mechanism for allocating resources. Prices, driven by supply and demand, are seen as accurate signals that guide investment, production, and consumption decisions. Individuals and firms are assumed to act rationally, seeking to maximize utility (for consumers) and profits (for producers). Their activities lead to optimal outcomes when free from distortive interventions. The state's role should be limited primarily to safeguarding market functioning such as enforcing property rights and ensuring competition. Government interventions like price controls, subsidies, and trade barriers are considered distortive and counterproductive.

Competition among firms is assumed to foster innovation, productivity, and efficiency. Liberalized markets are expected to attract domestic and foreign investment, leading to economic expansion. Openness to international trade and investment is assumed to enhance comparative advantage, expand markets, and promote growth through technology transfer and economies of scale. These assumptions underpin policy prescriptions that emphasize deregulation, privatization, trade liberalization, and reduced public sector dominance.

The theory is applicable to this study because for decades, Nigeria subsidized petroleum products to maintain affordable fuel prices for consumers. This subsidy regime required significant government expenditure and was criticized for promoting inefficiency, corruption, and budgetary strain. In response, the Nigerian government beginning with policy reforms in the late 2010s and culminating in the formal removal of fuel subsidies in 2023 shifted toward market-determined pricing of petroleum products. Market Liberalization Theory supports such deregulation on the argument that removing price controls allows markets to adjust naturally, correct distortions, and allocate resources more efficiently.

With fuel prices no longer held artificially low by subsidies, production and transportation costs across sectors have risen. In Cross River State, predominantly agrarian and trade-oriented, increased logistics costs have affected competitiveness. However, under Market Liberalization Theory, such adjustments are seen as necessary for realigning economic incentives and reducing distortions. Higher fuel prices send clearer price signals, indicating the true cost of energy inputs. In the long term, this can encourage investment in efficiency improvements, alternative energy, and value-added processing improving the competitiveness of local enterprises in regional and international markets.

Removing subsidies eliminates budgetary drains that hinder public investment in infrastructure. In theory, savings can be redirected toward trade facilitation roads, border posts, and ports which enhance the ability of Cross River State's producers to access markets beyond Nigeria's borders. Indeed, improved infrastructure lowers transaction costs, expands trade flows, and attracts private sector participation a core tenet of Market Liberalization Theory. However, benefits materialize only if public savings are strategically reinvested rather than dissipated through inefficiency. Market liberalization signals a commitment to economic reform, potentially attracting foreign direct investment (FDI). For Cross River State, which seeks diversified economic bases beyond extractive industries, increased investor confidence can stimulate sectors such as agro-processing, tourism, and services. Removal of oil subsidies should, in theory, free up public funds for development programsme education, health, agricultural extension, and rural infrastructure. For Cross River State, improved human capital and infrastructure can underpin long-term development. Market Liberalization Theory argues that such reallocation enables higher productivity and structural transformation.

Literature review

Oil subsidy removal and Nigeria's trade climate

A study was conducted by Okoroafor and Amadi (2025) on fuel Subsidy Removal: Implications on the Nigerian Economy. Using the standard Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) guidelines, a total of ten scientific papers within years 2012–2024 on the research topic were thoroughly reviewed. A mix of bibliometric and narrative analyses was used to synthesize, analyse, and interpret

the findings of the review. The findings of the review reveal the consequences of eliminating fuel subsidies by examining the intricate and complex interaction between economic, political, environmental, and social factors. The study showed negative effects of fuel subsidy removal on household and business sector in terms of their income, welfare and poverty indices, with the more vulnerable groups disproportionately affected. On the wider economy scale, the subsidy removal increased the inflation rate, reduced consumer demand and decreased output especially in the industrial sector, whereas it increases national income through government savings and revenue while reducing environmental costs in form of carbon emissions. The socio-political effects involve social unrest due to loss of means of livelihood and issues of addressing corruption and transparency in the petroleum sector. It was recommended that the government should be rather proactive in assessing the impacts of eliminating fuel subsidies on individuals and businesses and offer targeted assistance in areas like public transportation and energy infrastructure that will immediately lessen the adverse effects. Then also government must work towards mitigating the intensity of the adverse effects from global rise in petroleum prices by reviving the existing refineries/building modern ones and establishing social safety nets and social reinvestment pathways for societal welfare.

The study of Raifu and Afolabi, (2024) on simulating the inflationary effects of fuel subsidy removal in Nigeria: Evidence from a novel approach. The study found that heterogeneity in the inflationary effect of an increase in premium motor spirit price across locations, and that the recent fuel subsidy removal in Nigeria will have long-lasting negative inflationary effects. Similar study was conducted by Alli et al.**,** (2024) on impact of fuel subsidy removal on Nigeria's supply Chain: A case study analysis. Econometric analysis was conducted using monthly time-series data from 2022 to January 2024 on petrol prices, transportation costs, and food prices. Results from the correlation analysis revealed a statistically significant strong positive correlation ($r = 0.929722$, $p < 0.0001$) between petrol prices and food prices, indicating that increases in petrol prices are associated with increases in food prices. The regression analysis showed that petrol prices had a significant positive impact on transportation costs ($\beta = 0.280966$, $p < 0.0001$), suggesting that rising fuel prices lead to higher transportation costs that could be passed on to businesses and consumers.

Implications for national development prospects

National development is a complex and multidimensional process driven by effective governance, sound economic policies, and equitable investment in human and physical capital. Critical to this process are decisions around resource allocation, social protection mechanisms, poverty reduction, employment creation, and diversification of economic activities. Large public subsidies, particularly in energy sectors, have been shown to crowd out essential development spending in many low- and middle-income countries. Empirical evidence suggests that redirecting saved subsidy funds toward infrastructure financing can significantly enhance economic growth prospects. For example, Coady et al., (2017) provide empirical evidence showing that fuel subsidies in Nigeria accounted for roughly 30–40% of total government expenditure between 2012 and 2015, diverting funds away from infrastructure and social services. The authors argue that eliminating inefficient subsidies could free up fiscal space for investment in roads, power, and transportation networks that are critical for productivity growth and national competitiveness (Coady et al., 2017). Similarly, Gupta et al. (2020**)** found that IMF-supported fiscal reforms in Ghana that reduced energy subsidies led to a reallocation of resources toward infrastructure spending. This contributed to improved access to electricity and transportation services, which in turn had a statistically significant positive effect on GDP growth over a five-year period (Gupta et al., 2020). These studies show that the productive use of subsidy savings can enhance capital stock and develop economic enclaves that generate multiplier effects across sectors. However, the literature also cautions that political resistance and administrative capacity constraints can limit the effective use of redirected funds. Majeed & Ahmad (2019) found that in Pakistan, while subsidy rationalization released fiscal space, weak project prioritization led to funds being absorbed in recurrent expenditures rather than high-impact infrastructure projects (Majeed & Ahmad, 2019).

Social welfare programmes play a pivotal role in cushioning vulnerable populations from economic shocks and enhancing human capital development. Empirical studies consistently show that well-targeted social protection systems contribute to improved social outcomes and, in some cases, long-term economic growth. For instance, the Conditional Cash Transfer (CCT) programmes in Latin America have provided robust evidence of impact. In Mexico’s Progresa/Oportunidades programme, Parker & Skoufias (2000) found significant improvements in school enrollment, health check-ups, and nutritional outcomes among beneficiary households. These improvements in human capital have long-term implications for labour productivity and economic mobility. In Africa, Handa et al. (2018) evaluated the Zambia Child Grant Programme and found that cash transfers reduced extreme poverty and food insecurity among households receiving benefits, particularly in rural areas. The study documented a 5 percentage point reduction in poverty incidence over two years, suggesting that social welfare cash transfers can serve as an effective tool for poverty alleviation (Handa et al., 2018).

Despite these positive outcomes, some scholars argue that poorly designed welfare programmes can distort labour markets if benefits are not well integrated with employment schemes. Barrientos & Hulme (2008) highlight that unconditional cash transfers in some contexts discourage labour force participation, particularly

among working adults in urban areas, thereby challenging job creation efforts (Barrientos & Hulme, 2008). The consensus, however, emphasizes effective targeting and linkage with complementary services such as skills training and public works to maximize developmental dividends. Empirical research indicates a strong association between poverty, income inequality, and overall national development. High levels of inequality have been linked to reduced social cohesion, lower levels of investment in public health and education, and slower economic growth. Ravallion (2014**)** highlights that while economic growth is often necessary for poverty reduction, the distribution of growth matters for inclusive development outcomes. In countries where growth has been uneven, inequality has persisted, reducing the poverty-reducing impact of GDP increases. In Nigeria, Ajakaiye & Fakiyesi (2021) used household survey data to show that poverty rates increased in response to exchange rate shocks and fluctuating oil revenues, exacerbating income inequality across regions. The researchers argue that structural economic weaknesses and limited diversification heightened vulnerability among low-income groups. Their findings suggest that without deliberate policy measures to reduce inequality, increases in national wealth may fail to translate into shared prosperity (Ajakaiye & Fakiyesi, 2021). By contrast, East Asian economies such as China and Vietnam have shown significant progress in reducing poverty and inequality through sustained growth and inclusive policies. Li & Sicular (2014) documented how China's targeted poverty reduction programmes combined with rural reforms helped lift hundreds of millions out of extreme poverty between 1990 and 2010. Their analysis underscores that multidimensional poverty interventions are effective when combined with broad-based economic growth.

Employment generation is both an outcome and driver of national development. Economies with higher employment rates typically experience stronger consumer demand, better human capital utilization, and reduced dependency burdens. A study by ILO (2019) on fiscal consolidation policies in developing economies found that public sector job losses often occur as governments cut expenditures to balance budgets, particularly after subsidy removals. These job losses can undermine short-term development if not accompanied by private sector job creation strategies. The ILO estimates that for every 1 percentage point reduction in public spending, employment can decline by up to 0.4 percentage points unless counterbalanced by growth-oriented investments (ILO, 2019). In contrast, public investment in infrastructure financed by saved subsidy funds has been shown to generate significant employment, particularly in construction and related industries. For example, Calderón & Servén (2014) find that infrastructure investments in transport and energy in Sub-Saharan Africa have substantial multiplier effects on job creation across sectors, stimulating both formal and informal employment.

Economic diversification the process of broadening the range of economic activities beyond dependence on a few sectors is critical for sustainable national development. Empirical evidence suggests that countries reliant on volatile exports such as oil struggle to achieve stable growth and employment. A study by UNCTAD (2018) on commodity-dependent economies indicates that diversification into manufacturing and services is associated with higher and more stable growth rates. The research shows that countries that diversified their export baskets experienced less volatility in GDP growth and better resilience to external shocks. In the Nigerian context, Ariyo & Jerome (2019) provide empirical evidence that diversification efforts in agriculture and services contributed to employment growth and reduced vulnerability to oil price shocks. However, they also note that diversification requires not just policy rhetoric but structural reforms, including improvements in infrastructure, governance, and access to finance. Similarly, Hausmann, Hwang & Rodrik (2007) in the Harvard Growth Lab indicate that countries that expand into more sophisticated, high-value sectors achieve faster productivity growth and higher income levels. Their findings underscore the importance of building domestic capabilities and linking diversification strategies with education, innovation, and institutional strengthening.

Empirical literature strongly suggests that national development prospects are profoundly influenced by how governments manage fiscal resources, social policies, employment strategies, and economic transformation mechanisms. Redirecting subsidy savings to infrastructure can foster growth and employment, while well-structured social welfare programmes contribute to poverty reduction and human capital formation. However, without deliberate measures to reduce inequality and support diversification, the developmental impact of such policies may be limited. The evidence underscores the need for integrated, evidence-based policy frameworks that equitably harness resources for sustainable and inclusive national development.

Materials and methods

Research design

The study employed correlation research design. Correlation research is a type of non-experimental research method in which a researcher measures two variables, understands and assesses the statistical relationship between them with no influence from any extraneous variable (Isangedighi et al., 2004). This research design was considered to be most appropriate for the study because, the study involved the collection of data, analyzing the data to establish relationship between the variables of the study.

Areas and scope of the study

The research was conducted in two Calabar Municipal Council and Calabar South Local Government Areas of Cross River State, Nigeria.

Population, sample size, and sampling techniques

The population of the study comprised of Calabar Municipal Council and Calabar South Local Government Area that comprise of Cross River South Senatorial District and Calabar Metropolis. The population are as follows, Calabar Municipal Council: 279,800, and Calabar South Local Government Area: 291,700. The Local Government Areas have a combined population of 571, 500 (National Population Commission Projected Population, 2022). The population of the study consists of adult (18+ years of ages) residing in the areas. The sample size of 400 was determined by Taro Yamane . The sample size was divided by the size of population and calculated into percentage in order to get the sample size in each of the two randomly selected local government areas, which was 0.069 % {gotten from (400/571,500) x 100} as clearly demonstrated in table 1.

Table 1: Proportional population of the study

Local GovernmentArea (LGA)	**Estimated population of LGA (as of 2022)**	**0.069 of estimated population of LGA**	**Adjusted sample size**
Calabar Municipal	279,800	193.06	193
Calabar South	291,700	201.27	201
Total	**571,800**	**394.33**	**394**

Sampling techniques

A purposive, snowball and proportional sampling techniques were used the study. First, purposive sampling was used to select Calabar Municipal Council and Calabar South in Calabar Metropolis of Cross River State, Nigeria because the two Local Government Areas Calabar Municipal and Calabar South serve as the commercial nerve centre of Cross River State. They host major markets such as Watt Market, Marian Market, and other trading clusters that facilitate wholesale and retail activities. The concentration of small and medium-scale enterprises (SMEs), transport operators, hospitality businesses, and manufacturing outlets makes these Local Government Areas ideal locations to assess how increases in fuel prices affect production costs, transportation, distribution chains, and consumer prices.

Secondly, snowball sampling was used to select victims of cybercrime; this is because snowball sampling allows researchers to find initial respondents who then refer others with similar experiences. Lastly, proportional random sampling was used to 193 respondents in Calabar Municipal Council, and 201 in Calabar South. This selection is based on population density and the effect of subsidy removal such as inflation, transportation amongst others in the area.

Method of data analysis

The study used quantitative methods, administered and questionnaires to collect data. Descriptive statistics such as simple percentages, tables, and frequency were used for the demographic characteristics of the respondents, inferential statistics such as simple linear regression using the Software Package for Social Sciences (SPSS) version 28 was used in analysing the hypothesis.

Results

Production costs and standard of living on national development prospects

Linear regression was used to test the influence of production costs and standard of living on national development prospects.

Table 2 Influence of production costs and standard of living on national development prospects (Simple Linear Regression)

Source	**Sum of Square**	**Df**	**Mean square**	**F**	**Sig.**
Regression	193.860	2	96.930	222.406	.000
Residual	170.407	391	.436		
Total	364.266	393			

Source: Field work, 2026

The result presented in table 2 showed that there was a significant influence of *production costs and standard of living on national development prospects* in Cross River State R = .436, F (1, 393) = 222.406, P< .00]. The hypothesis is therefore not confirmed. This result showed that productions costs and standard of living made a contribution of 43.6% to the total national development prospects. The result therefore entails that there is a

significant positive relationship between production costs and standard of living on national development prospects in Cross River State, Nigeria.

Discussion

The results showed that productions costs and standard of living experienced by 43.2% of the respondents in reporting upon the effect of oil subsidy removal in the study area. This indicates that there is a significant positive relationship between production costs and standard of living on national development prospects in Cross River State, Nigeria. This revelation is aligned with the findings of Ajakaiye & Fakiyesi (2021), who show that poverty rates increased in response to exchange rate shocks and fluctuating oil revenues, exacerbating income inequality across regions.

Conclusion

This study examined the effect of oil subsidy removal on Nigeria's trade climate and national development prospects in Cross River State**,** situating the analysis within Nigeria's long-standing dependence on petroleum revenue and the fiscal distortions created by decades of fuel subsidy payments. The findings demonstrate that the removal of fuel subsidy has generated multidimensional effects simultaneously disruptive in the short term yet potentially transformative in the long term for trade dynamics and national development. Empirical evidence from Cross River State reveals that subsidy removal significantly increased transportation costs, production expenses, and distribution charges, thereby exerting upward pressure on the prices of goods and services. As a border and coastal state with commercial linkages to neighboring regions and countries, Cross River experienced amplified trade shocks due to higher logistics costs. Small and medium-scale enterprises (SMEs), informal traders, and agro-based producers were particularly vulnerable, as their profit margins shrank under escalating energy and operational costs. This aligns with broader national patterns observed following the policy announcement by Bola Ahmed Tinubu in 2023.

However, beyond these immediate economic strains, the study contributes to knowledge by highlighting the structural opportunities embedded in subsidy removal. First, it underscores that subsidy elimination has the potential to redirect fiscal savings toward productive sectors such as infrastructure, industrialization, and social welfare interventions if transparently managed. Second, it advances understanding of how regional trade climates respond differently depending on infrastructural capacity, border commerce intensity, and energy dependence. In Cross River State, the impact was not merely economic but developmental, affecting poverty levels, employment patterns, and investment confidence. This localized dimension adds new empirical insight to national-level debates, which often overlook subnational variations.

Importantly, this study employed a correlational research method**,** which proved highly significant in achieving its objectives. The correlation approach enabled systematic examination of relationships between subsidy removal (independent variable) and key indicators such as trade volume, production cost, business survival, employment levels, and development prospects (dependent variables). While correlation does not establish causation, it was instrumental in revealing statistically meaningful associations that demonstrate how energy price adjustments are linked with fluctuations in trade performance and socio-economic outcomes. The strength of the correlational method lies in its capacity to quantify the degree and direction of relationships among variables within real-life policy contexts. In this case, it allowed the study to empirically substantiate claims that rising fuel prices correlate positively with increased production costs and inflationary pressures, while correlating negatively with short-term business expansion and consumer purchasing power. Therefore, the methodological approach was not only appropriate but central to generating credible, policy-relevant findings.

With regard to scholarly consensus, the findings of this study largely corroborate prior research which argues that fuel subsidies in oil-dependent economies are fiscally unsustainable and economically distortionary. Scholars across development economics and public finance increasingly agree that while subsidy removal imposes short-term hardship, it may improve macroeconomic stability, reduce fiscal deficits, and encourage market efficiency over time. This study reinforces that position within the Nigerian and Cross River context. However, it would be premature to conclude that the time for scholarly inquiry is over. Although there is growing consensus on the inefficiencies of fuel subsidies, debate persists regarding the pace of reform, adequacy of social safety nets, and transparency in reallocating savings. What this study confirms is not that research should cease, but that policy action must now match the clarity of empirical evidence. The urgency lies in implementing complementary measures targeted palliatives, infrastructure financing, industrial support schemes, and employment-generating investments to cushion adverse effects and convert fiscal savings into tangible development outcomes.

In practical terms, the study demonstrates that subsidy removal alone does not guarantee national development. Its success depends on governance quality, accountability mechanisms, and strategic reinvestment. For Cross River State, improved transport infrastructure, port development, agro-processing support, and trade facilitation policies are essential to mitigate cost shocks and strengthen competitiveness.

In conclusion, this research adds to existing knowledge by providing localized empirical validation of national reform debates, demonstrating measurable relationships between subsidy removal and trade-climate

dynamics, and emphasizing the conditional nature of development gains. The correlational method strengthened analytical rigor, while the findings underscore an urgent policy imperative: Nigeria must transition from subsidy-dependent consumption to productivity-driven growth. The moment demands coordinated action, evidence-based policymaking, and sustained monitoring to ensure that the long-term development prospects envisioned through subsidy reform become a practical reality rather than a theoretical aspiration.

Recommendations

The following interventions are recommended for urgent attention by all stakeholders:

1. The ministry of humanitarian and poverty alleviation at federal and state government should strength social safety nets and targeted support through cash transfers, transport vouchers and food subsidies for vulnerable households to cushion immediate welfare losses. This protects living standards while market prices adjust.
2. The federal government should redirect savings from subsidy removal into critical infrastructure such as roads, electricity, water, digital networks) to reduce costs of doing business and improve competitiveness. This can lower production costs over time and enhance Cross River's trade potential.
3. Government at levels should offer tax incentives, cheaper credit, and energy subsidies like reduced tariffs on electricity and renewable energy equipment for small and medium enterprises (SMEs) that have been hit with higher fuel-driven input costs.
4. The federal government should reduce trade barriers**,** streamline customs processes, and foster logistics infrastructure to boost intra-Nigerian and cross-border trade flows helping local producers benefit from broader market access.

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