Pakistan Social Sciences Review
(PSSR)
www.pssr.org.pk

RESEARCH PAPER

Shocks in Consumption Pattern of Households to Economic Recession in Nigeria: A Case of Sanga Local Government Area of Kaduna State

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ABSTRACT

The study examined the shocks in consumption pattern of households to economic recession in Sanga Local Government of Kaduna State, Nigeria. The study administered 90 structured questionnaires to the respondents who were randomly selected from different heads of households across three traditional chiefdoms in the local government; 30 respondents in each of the three chiefdoms. The data gathered were analysed using Analysis of Variance (ANOVA). The result reveals that the economic recession has negative effects on households' income and household's consumption pattern in the local government. The study therefore, recommends that, the government should diversify the economy to agricultural base economy in order to stimulate consumption of households and subsequently expand economic growth in the Local government and the country at large. The State and local government should improve infrastructural facilities such as roads and markets such as to improve the income and consumption pattern of the people in the area.

| **KEYWORDS** | Consumptions, Economic Recession, Households, Pattern |

Introduction

A recession is a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in real GDP, real income, employment, industrial production, and wholesale-retail sales (Yuanna & Emmanvitalis, 2017). The economic notions of consumption patterns refer to expenditure patterns of income groups across or within categories of products, such as food, clothing, and discretionary items. Sociocultural and political extensions of the consumption pattern idea probe the class, cultural, and symbolic dimensions of organization of consumption (Yuanna & Emmanvitalis, 2017).

Consumption and income are the major tools in determining the living standards of a society. The consumption pattern of a nation means the aggregate demand of goods and services in the society, and in most cases it constitutes about 60 percent of the total GDP of the Nation. Consumption pattern also refers to the level of welfare and poverty that a nation is experiencing (Nigeria Living Standard Survey, 2019).

Nigeria recorded a recession in 2016, followed by a second recession in 2020 occasioned by the COVID-19 pandemic, which caused a significant decline in oil revenues as global economic activities stalled for months. In 2020 the Nigerian economy shrank by 1.8%, its deepest decline since 1983. The COVID-19 crisis drove the economic slowdown; the external context was marked by capital outflows, intensified risk aversion, low oil prices, and shrinking foreign remittances (CBN, 2022).

The Nigerian economy is operating below its productive capacity, as reflected in the high unemployment rates; we are struggling to meet our economic development objectives; as the growth of national output falls below our population growth; the economy is still heavily import dependent for consumption and production; and dependent on crude oil for government revenues and foreign exchange (Yuanna & Emmanvitalis, 2017).

The amount of money spent on consumables will be used in the computation of final household expenditure which is a component of our gross domestic product (GDP) compilation. The computation of GDP through the expenditure approach will not be complete without the household consumption/expenditure input (Cletus & Ejima, 2016). It is worth noting that, when a country is experiencing a downturn trend, it implies that the aggregate demand (consumption) is very low, poverty incidence is on the increase, unemployment rate rises, investments fall drastically and prices of goods and services will most likely rise too. On the other hand, when the aggregate demand (consumption) is high, firms will invest and be ready to employ idle resources, prices will fall (due to an increase in the supply of goods and services) and other economies of scale will be accrued to the nation as a result of the large size of its aggregate demand (Hurd & Rohwedder, 2012).

The consumption pattern of a household is the combination of qualities, quantities, acts and tendencies characterizing a community or a human group's use of resources for survival, comfort and enjoyment (Palley, 2010). Of course the type of food and non-food items consumed, vary from state to state, local government to local government and region to region. Consumption patterns normally contribute greatly to the social and economic policy of the country. For a developing country like Nigeria, the consumption pattern is skewed towards food i.e. food is higher than the non-food items. In Sanga Local government, the consumption pattern also skewed toward food. In most developed countries, it is the opposite, where the consumption pattern is skewed towards non-food items. The more developed a society becomes, the less it spends on food and the more it spends on nonfood items.

A country with a positive growth rate of GDP indicates a healthy economy, while a country with a negative growth rate reflects a poor health condition of the economy. This condition is referred to as economic recession, economic downturn or economic contraction (Peter & Simon, 2012). Economic recession is a period of economy contraction in a country, reflected by a negative growth in the country's GDP for a period of two consecutive quarters. Due to the long history of corruption, crash in the international prices of crude oil, declined crude oil output, depreciating naira value and the slow actions and inactions of the present Buhari Administration, affected the total economic progress in the country.

Economic recession has negative effects on trades and businesses in Nigeria. There has been a significant decline in the prices of key commodities exported by Nigeria since the first, second, third and fourth quarters of year 2016 of which showed that there has been a downward trend in prices of such commodities. The most affected commodity has been crude oil, which experienced price decline of more than 60 per cent since 2015. The declines in the different sectors of economy penetrated down to the household level resulting in increased poverty and decreased household consumption in state (Anderson, 2001).

The consequence of the recession in Nigeria is inability of many consumers to maintain their previous levels of consumption due to a depressed purchasing power. On

these note, the study analyzed the shocks in household's income and consumption pattern to economic recession in Sanga Local Government, Kaduna State. The study is organised in five sections: the general introduction of the study is in section one. The second section deals with the literature review of related studies and theory. Methodology of the study is in section three while section four covered the data presentation and analysis of results. The last is the conclusion and recommendations of the study.

Literature Review

Conceptual Issues

Consumption: Armstrong (1991) defined consumer behaviour as the study of individual or group and the processes they use to select, secure, use and dispose of products, services, experiences or ideals to satisfy their needs and wants. It is that purchasing and consumption behaviours that have on both consumer and wider society. This examines how emotion, attitudes and preferences affecting buying behaviour.

Economic Recession: National Bureau of Economic (2010) defined Economic recession as a large decline in economic activity permeating the entire economy, over many months and heavily impacting production, employment, real income, and other indicators. Suraju and Oluwakemi (2018) defined Economic recession as a period of economy contraction in a country, reflected by a negative growth in the country's GDP for a period of two consecutive quarters.

Empirical Review

Suraju and Oluwakemi (2018) examine Economic recession and changing consumption patterns evidence from Lagos metropolis. The study uses correction in analysis of data. Results of the correlation analysis showed that the current economic crisis in the country has significantly affected consumption patterns of majority of the respondents. The crisis has led a large number of respondents to substantially reduce consumption of luxury products and a simple majority to slightly reduce consumption of necessities. It was concluded that the recession has affected the purchasing power of consumers thus, leading to the changes in their consumption patterns.

Cletus and Ejima (2016) analyses the effect of global financial crisis on consumption behaviour of households in Kogi State using mean point and cut-off point for analyses. The results showed that, global financial crisis has great effect on income and consumption pattern of poor households in the State.

Federica (2014) examines the consumption behaviour and financial crisis in the Netherlands over the period 2009-2012 using the LISS panel; a longitudinal survey representative of the Dutch-speaking population conducted and administrated by Center data at Tilburg University and he found in point estimate of the marginal propensity to consume (MPC) of 0.21 out of household income, that is in line with the international microeconomic evidence. He found that, less fragile households display a double MPC out of income than those more fragile (0.44 vs 0.21, respectively).

Sheria and Oral (2013) investigates the effects of world financial crisis on food consumption spending among households in Jamaica using descriptive statistics. The findings revealed that, income level and area of residence are consistently significant determinants of food consumption in Jamaica and consumption expenditure in all income categories remained basically unchanged between 2007 and 2009.

Peter and Simon (2012) examined the impact of recession on household spending, however, their studies looked into two measures of household spending: current prices expenditure which is the value spent and chained volume measures expenditure which takes account of changing prices (inflation).Their studies contained analysis at how the aggregate current price and volume of household spending has changed and how the changes were caused by comparing discretionary and non–discretionary.

Petr (2010) investigates household response to the economic crisis micro-simulation for the Czech Economy using correlations for analysis. The study reveals that, household budgets can be negatively affected by declines in nominal wages and increases in unemployment and his analysis clearly pointed out that, there is a significant additional decline in consumption related to an increase in household default rates. His findings showed that, potential household insolvencies have important implications on the financial system as well as on the aggregate economy.

Theoretical Review

The Keynesian Consumption Theory holds that, there is a positive relationship between income and the marginal and average propensity to consume (Palley, 2010). It explains that, "men are disposed, as a rule and on the average, to increase their consumption as their income increases, but not by as much as the increase in their income" (Keynes, 1936). Similarly, Friedman's permanent income hypothesis (PIH) predicts that, consumption is a function of income but with one distinction; the choices made by consumers regarding their consumption patterns are determined not by their current income, but by their longer-term income expectations. Thus, for Friedman, transitory or short-term changes in income have little effect on consumer spending behaviour. The theory holds that the individual will consume a constant proportion of his/her permanent income.

Hypotheses

In line with the above objectives, the following null hypotheses have been formulated in null form:

$H0_1$= Economic recession has negative effect on households' income in Sanga Local Government area of Kaduna State.

$H0_2$= Economic recession has no effect on consumption pattern of poor households in Sanga Local Government, Kaduna State

$H0_3$=Economic recession has no effect on living standard of the poor and Wealthy households in Sanga Local Government area of Kaduna State.

Material and Methods

Population, Sample and Sampling Techniques

The study uses all heads of households in Sanga Local Government as the population size. The sample size of this study consisted of 90 respondents from heads of households in the three traditional chiefdoms in Sanga Local Governments of Kaduna State selected using random sampling techniques. The name of the chiefdoms and number of respondents selected are presented in table 1 below:

Table 1
Chiefdoms and Number of Respondents

S/N	Name Of Chiefdom	No of Respondents
1	Fadan Ninzo Chiefdom	30
2	Fadan Ayu Chiefdom	30
3	Gwantu Chiefdom	30
	Total	90

Method of Data Collection

The study used primary data sourced from structured questionnaires administered to the respondents in three chiefdoms of Sanga Local Government area. The responses of the respondents came from the question on 5-point Likert rating scale.

Techniques of Data Analysis

In order to analyze the data gathered from questionnaire administered to a sample of 90 respondents, the study used Analysis of Variance (ANOVA) and examined shocks in consumption pattern of households to economic recession in Nigeria with focus on Sanga Local Government Area of Kaduna State. The ANOVA test is based on F- test statistic for the reject of the null hypothesis if the computed F-statistic is greater than tabulated F-statistic i.e Fc > Ft (reject the null hypothesis). The F-test is express as:

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Where SSB = Sum of square between, SSW = Sum of square within, (k-1) and (n-k) are degree of freedom, k=is number of column, n=is total number of sample.

Results and Discussion

Demographic Characteristics of Respondents

In order to achieve the study objectives, questionnaires were administered to all the sample size of the population and 90 questionnaires were retrieved. The table below presented the bio-data of the respondents and analyzed.

Table 2
Respondents Assessment (Bio-data)

Sex	Frequency	Percentage
Male	81	72.9
Female	9	8.1
Total	**90**	**100.0**

Age	Frequency	Percentage
30-39yrs	9	8.1
40-49yrs	13	11.7
50-59yrs	47	42.3
60 and Above yrs	21	18.9
Total	**90**	**100.0**

Marital Status	Frequency	Percentage
Single	2	1.8
Married	79	71.1

Widow	9	8.1
Total	**90**	**100.0**

Highest Education Level	**Frequency**	**Percentage**
Primary School Cert	39	35.1
Secondary School Cert	27	24.3
NCE/OND	19	17.1
HND/B.Sc	23	20.7
Postgraduate Cert	5	4.5
Total	**90**	**100.0**

Occupation	**Frequency**	**Percentage**
Farming	43	38.7
Civil Servant	32	28.8
Trade/Business	15	13.5
Others	0	0.0
Total	**90**	**100.0**

Table 2 shows respondent's socio-demographic characteristics. The data reveal that majority of the respondents 81 (72.9%) are male, while 9 (8.1%) are female. Also, 9(8.1%) of the respondents ranges were between the age of 30 and 39years, 13 (11.7%) are between the ages of 40-49 years, 47 (42.3%) are between the ages of 50-59 years, and 21 (18.9%) are between the ages of 60 and above. This revealed that majority of the respondents are between the ages of 50 and 59 years.

The findings also revealed that majority of the respondents are married as 79 (71.1%) of respondents are married, while 9 (8.1%) of respondents are widows. Also, 2 (1.8%) of them are single. The findings also indicates that 39 (35.1%) of the respondents had primary school leaving certificates, 27 (24.3%) of the respondents had secondary School education, 19 (17.1%) had NCE and OND education, 23 (20.7%) of the respondents had either HND or B.Sc. education, while 5 (4.5%) said they had postgraduate certificates. The results also show that most of the respondents are farmers as indicated by 38.7% of the respondents while 28.8% of them are civil servants.

Analysis of ANOVA Results

The data collected from the structured questionnaires were used and analyzed using ANOVA and the results are presented below:

Hypothesis One: Economic Recession has Negative Effect on Households' income in Sanga Local Government area of Kaduna State.

Table 3
Result of One – Way ANOVA

	Sum of Sq.	Df	Mean Sq	F	Sig.
Between Groups	3194.472	6	846.418	47.147	.000
Within Groups	310.210	28	18.315		
Total	3504.682	34			

From the above table 3, the calculated F value is 47.147 while the table value of F at alpha of 0.05 level of significance and degree of freedom of F 6, 28 is 5.72. Since the calculated F value of 47.147 is greater than the table F value of 5.72 i.e. (47.147 > 5.72) as

confirm by p-value <0.05. The H_o (Null hypothesis) is rejected. So, we agreed that, economic recession has negative effect on households' income in Sanga Local Government. This finding is in line with the works of Suraju and Oluwakemi (2018). This is evident in many households especially; the poor ones find it difficult in the present dispensation to generate enough money to feed themselves and their families. Likewise, the effect of devaluation and bad governance resulting from economic recession always place many families at disadvantage and bring about decrease in income and sufferings especially, among the poor masses.

Hypothesis Two: Economic recession has no effect on consumption pattern of poor households in Sanga Local Government area of Kaduna State

Table 4
Result of One -Way ANOVA

	Sum of Sq	Df	Mean Sq.	F	Sig.
Between Groups	3194.472	6	846.418	42.139	.000
Within Groups	310.210	28	18.315		
Total	3504.682	34			

The ANOVA result for the second hypothesis is presented in table 4. The calculated F value is 20.612 while the table value of F at alpha of 0.05 significance level and degree of freedom of F 6, 28 is 5.72. Since the calculated F value of 20.612 is greater than the table F value of 5.72 i.e. (42.139 > 5.72) as confirm by p-value <0.05. The H_o (Null hypothesis) is rejected. So, we accept that, economic recession has negative impact on the poor household's consumption pattern in Sanga Local Government, Kaduna State. The result is in conformity with the current inflation rate in the Country. High and constant increase in prices affected the spending pattern of the poor in the local Government. This has a negative effect on the consumption pattern of the poor households in the Sanga Local Government, Kaduna State.

Hypothesis Three: Economic recession has no effect on living standard of the poor and

Wealthy households in Sanga Local Government

Table 5
Result of One – Way ANOVA

	Sum of Sq.	Df	Mean Sq.	F	Sig.
Between Groups	3194.472	6	846.418	40.132	.000
Within Groups	310.210	28	18.315		
Total	3504.682	34			

The third hypothesis which states that "economic recession has no effect on living standard of the poor and wealthy households in Sanga Local Government" is presented in table 5. The result reveals that, F-calculated of 40.132 is greater than F-critical value of 5.72 at 0.05 level of significance. The study therefore rejects the null hypothesis and accepts the alternative that economic recession has negative effect on the poor and wealthy households in Sanga Local Government. This means that both the poor and the wealthy people in the local government are affected by the economic recession in the country.

Conclusion

The study examined the shocks in consumption pattern of households to economic recession in Nigeria with particular reference to Sanga Local Government Area of Kaduna State. The findings from the study reveal that, economic recession has adverse impact on households' income in the Local Government. Consumption and income are the major tools in determining the living standards of a society. The results from the ANOVA reveal that majority of households in the local government are affected by the economic recession in the country both in terms of their income, spending and their general living standard. The results confirmed that economic recession has affected the people negatively in terms of their consumption pattern.

Recommendations

The study therefore recommends that the government should key into economic diversification from oil producing economy to Agriculture so as to move away from oil price shocks in the global world. The state and local government should also improve on infrastructural facilities in terms of road construction, local markets and rural electricity to improve the living standard of the people

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