

The Effect of Inflation on Consumer Buying Behavior in North-Eastern Part of Nigeria

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Abstract: This research which is sponsored by **TETFund** has examined whether or not Consumers restrict their purchases as a result of persistent increase in price and how the concept of inflation tends to be critical. It examined the effects of inflation on consumer buying behavior in north eastern part of Nigeria. Data was collected from primary sources like questionnaire as well as secondary sources; textbooks. Related journals, online and other related materials. The research examined whether inflation affect consumer buying behavior positively or negatively. The research checked if, inflation should be managed and controlled by fiscal policies as well as monetary policies in order to control the amount of funds in circulation. The research work determined how consumers make use of their scare resources in this present economic hardship. This adds to the volume of literature on the effect of inflation on consumer buying behavior and as such it contributes to knowledge. The research adopted the structuralism-monetarist (hybrid) theory after reviewing a series of other theories related to the topic in question. The findings revealed that there is adverse effect of inflation on consumer buying behavior and proposed a few recommendations to profound solutions. The research employed the use of Inferential statistics in the study's data analysis to draw conclusions and inferences. SPSS 23.0 was used to analyze the data that was collected. The study used Spearman Rank Order Correlation to check the relationship between the independent variable and the dependent variable.

Keywords: Inflation, Consumer, Buying, Behaviour, Effects.

Introduction

Consumer behavior is the study of the processes that individuals or groups go through in making their purchasing choices in order to satisfy their needs. Usually the buying behavior takes many forms of consumers' choices that can vary depending on a broad set of factors such as, earning, demographics, social and cultural factors (Kar, 2016 & Drakopoulos, 2018). The consumer behavior is a combination of customers buying awareness combined with external motivators to result in a change in the consumers' behavior (Kar, 2017). This is why most of the economies around the globe shares one problem, because of the external influence on the internal community aspects (Chaudhuri, 2016). Researches on buying behavior during downturns in the economy suggest that consumers adapt their behavior to new and changed situations (Ang, Leong & Kotler, 2018; Curtin 2018). When consumers adopt new strategies and tactics as a reaction to changing economic circumstances, companies and/or dealers need to

understand how their customers reacts and how their behavior changes to develop strategies to meet and capitalize on different needs, values and consumption patterns (Amalia&Ionut, 2019).

It is vital that companies and/or dealers understand the nature and the scale of the change in consumer behaviors and attitudes to formulate marketing strategy that allows them to achieve objectives concerning sales, market share and profits (Shipchandler, 2017). From psychological as well as a financial point of view, consumers experiencing crisis behave differently from those enjoying a blossoming economy (Ang, Leong & Kotler, 2018). This can be, at the same time, an opportunity and a threat for companies, which makes it even more important than before to monitor and listen to consumers. Business strategies that were appropriate during a blossoming economy may become ineffective in a recession. Businesses may need to change their target market and adjust their marketing mix to reflect values sought by consumers experiencing economic crisis. For companies and/or dealers to succeed in this, it is vital for them to understand how an economic crisis affects consumers (Ang et al, 2016).

According to kotler and John (2016) the consumer purchase are influence by numerous factors including cultural, personal, social and psychological, most these factor are uncontrollable and are beyond the hand of marketers but they have to be considered while trying to understand the complex behavior of the consumer.

Kushwaha,Rao and Ahmed (2015) posit that the advancement is technology, cultural and social fators are some of the factor impacting the purchasing behavior of consumer. The study by (Miremadi and Faghanie 2017) revealed the Influence of factor such as ambiance, services, and assortment among consumer of men and women base on different cultural factors. Kotler and John (2016) state ^the buying behavior of final individual consumer and households that buy good and service for personal for consumption the individuals passes through contain steps almost some of the stages are used in daily routine, like consumer individuals face complex situations and to buy new things they will pass through all of this stages. More especially related to purchase decision [the buyer decision about which brand to purchase] there are two factor which come in between purchase intention and purchase decision. Inflation, a sustained increase in general price level of good and service. The major indicator of inflation is the inflation rate, the percentage change in a general price level, usually the consumer price index, over time. The effect of inflation on the consumption patterns of consumer unlike the effect of income on consumer has not received the needed attention in the marketing environment both theoretically and empirically. The effect on consumer spending is both direct and indirect (Katona, 2015).period of inflation influences consumer spending behavior by influencing both liquid and illiquid asset since in period of inflation. There is motivation to hold real asset and not fixed assets to normal value or not index to inflation. Household' income distribution (employers,employee,debtors and creditors) change by inflation (Howard 2019).(Duepke, Rao, et al 2018). If consumer expect inflation rate to be higher they increase present consumption. As a result of a wealth redistribution channels give that they have higher marginal propensities to consumer out of their wealth higher inflation serve as implicit tax on paper money use by households as a medium of exchange and a result higher inflation periods leads to lower consumer spending in an economy since disposable income fail [Aruoba and Schor, 2016]. Consumer buying behavior refers to the buying behavior of the ultimate consumer. The general economic

slowdown and rising unemployment forced household to increase working hours or send additional members to the labor force. As a consequence, household expenditure falls by as much as income (Amalia and Ionut, 2019). The consumers cannot prevent the fall in total expenditure and they tend to adjust the basket of goods purchased. For example the expenditure on food and necessities increases comparing to expenditure on clothes (Peter and Olson, 2017). The crisis caused markets to contract and major changes appeared in their structure (Chaudhuri, 2016). The buyers changed their buying behavior. They start to worry about their jobs and do not enjoy spending their money anymore. They postponed or reduced a big amount of purchases related to leisure and entertainment. People may start buying less quantities, or switch to larger size items to avoid repeated purchases. They also started to switch brands, and focus on price rather than quality and they also have started to intensify the search on the web looking for valuable bargains (Perner, 2018 & Drakopoulos, 2018). Many factors, specificity and characteristic influence the individual in what he is and the consumer in his decision making process; shopping habit, purchasing behavior, the brands he buys or the retailer goes. A purchase decision result of each every one of these, an individuals and consumer is led by his culture, his social class, his member group, his family, his personality his physiological factor etc., and is influence by cultural trend as well as his social and social environment. by identifying and understanding the factor that influence their consumer, brands have the opportunity to develop a strategy, marketing message [unique value proposition] and advancing campaign more efficient and more in line with the need and ways of thinking of their target consumers, real assent to be better meet the of its consumer and increase sales. (N.M.Ali, 2016) in less than 15 years, the mobile phone has become an essential part of our daily liver. It is no longer a luxury them and has become one of the most commonly used daily consumer goods throughout the world. The role of the government is rather important to protect consumers against inflation by controlling and preventing prices from further increasing to ensure that the purchasing power of consumers will not deteriorate causing serious problems such as long term unemployment and poverty (Perner, 2008). This paper is realized first a literature review in order to identify the determining factors of the emergence of new consumer and to highlight the main features of this one. Further, through a research from secondary sources, it was analyzed the main changes occurred in the consumer buying behavior during economic crisis. This research will examine the effect of inflation on consumer buying behavior in selected marks in the north eastern part of Nigeria, Bauchi main market, Gombe main market, Yola main market and Tarawa state main market.

Starting from September 2024 to October 2024. this research work will serve as a source of data to but the staff and students within the Gombe state Polytechnic and researchers, whole sellers, retailers and companies within the region.

Statement of the Problem

The study of Consumer buying behavior has been so long attracting many researches because of its imperativeness to businesses around the world. By predicting consumer's behavior, a business can understand consumers' needs, and can work on fulfilling the needs and meeting the expectations of their customers, This would eventually help businesses to maintain their prosperity and attain their long term goals. The context of

this research can significantly help businesses and professionals to uncover the changes that would possibly occur to consumers buying behavior as a result of inflationary forces. This research work will investigate the negative effect of inflation on consumers buying behaviors in north eastern part of Nigeria main markets, there is a limited research on the study of consumers buying behavior, especially in the north eastern part of Nigeria. So there is the need for more investigation on the said topic. And to know the effect of inflation on consumer buying behavior and to find solutions to the problem.

The research work will find answers to the following question:

- i. What are the effects of inflation on consumer buying behavior?
- ii. Is there any positive effect of inflation on consumer buying behavior?
- iii. Is there any negative effect of inflation on consumer buying behavior?

Objectives of the Study

The main aim of these research is to investigate the negative effect of inflation on consumers buying behavior in the north eastern part of the country. Other objectives include to;

- i. Examine whether inflation has negative impact on consumer behavior;
- ii. Investigate the causes of inflation in the Nigerian Economy;
- iii. Profound solutions to the problems of inflation in Nigeria.

Literature Review

Empirical Review

Several researches have been made by numerous authors on the effect of inflation in Nigeria. Imimole and Enoma (2011) investigated the effect of exchange rate depreciation on Nigeria's inflationary process. The study used data from 1986 to 2008 employing the autoregressive distributed lags model. The study identified inflation inertia, exchange rate depreciation, money supply and real gross domestic product as the major determinations in Nigeria.

Olatunji et al. (2012) studies the source of inflation in Nigeria employing the co integration and error correction modeling approach. The study showed that exports, food price, interest and exchange rate were significant in determining the movement of inflation in Nigeria. In recent past, Bawa et al (2016) analyzed Nigeria's inflationary trend from 1981 to 2015 using the bounds testing approach to co integration analysis. Results from the study indicated that inflation inertia, rainfall and money supply significantly influence the inflationary process in Nigeria.

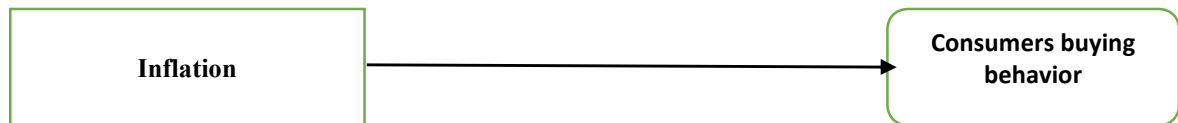
Inflation has various definitions depending on how it is perceived. It is regarded as a rise in general level price. The tendency of rising price and fall in value of money is known as inflation. Inflation can be defined as a sustained rise in general price level. The phenomenon occurs when the price level is greater than the real product capacity of the economy (Micah Effiong). Inflation has various definitions depending on how it is perceived. It is regarded as a rise in general level price. The tendency of rising price and fall in value of money is known as inflation. Inflation can be defined as a sustained rise in the definition of inflation. Two key words must come to mind. First, is aggregate or general, which implies that the entries rise in price that constitutes inflation most converts the entries basket? Of good in the economy as distant from some isolated ditties. The implication here is that change in the individual prices or any combination of the price cannot be considered as the

occurrence of change inflation. However, a situation may rise such that change in an individual price could cause the other price to rise. An example is petroleum price in Nigeria. This gain does not signal inflation unless the price adjustment in the basket is such that the aggregate price level is induced to rise second, the rise in the aggregate level of price must be continuous for inflation to be said to have occurred. The aggregate price level must show a tendency of a sustained and continuous rise over different time period (Zainad,2015) (I.M.F 2001; Mishkin 2008) Rising price level are further linked to weaker investor confidence, undercut incentive to save, and erode financial and public sector balance sheet. Moreover, the damage of high inflation and fall disproportionately on the poor, since poorer households are more reliant on wages income, have less access to interest-bearing accounts, and are unlikely to have significant holding of financial or real asset apart from Cash. For these reasons, low and stable inflation has been associated with better growth and development outcome, financial stability poverty reduction

(Howard, 1978) inflation influence consumer to save rather than consume because of pessimism and uncertainty in the economy inflation again influence consumer spending behavior both liquid assets and since in period of inflation, there is motivation to hold real assets and not assets fixed to nominal value or not indexed to inflation. Household's income distribution (employs, employees debtor, and creditors) is changed by inflation. The aggregate demand comprises consumption investment and government expenditure Therefore called administered-price inflation price-push inflation. About 18years ago, the concepts of structural inflation entered in economic discussion and research; It is related to the effect of structural analysis attempts to recognize how economic phenomenon and finding the root of the permanent disease and destruction such as inflation that evaluate lawful between the phenomena. In the economic structure factor causes, related to demand push, even if abundant unemploymentrelationship production factor is impossible or slow. Therefore, reasoning of less developed countries till time not successful to change in the form of lagging behind structure or not to make attempt for immediate economic growth. Structuralism, even the group that does not fine eradicating inflation with the control of inflation through government intervention in the market structure and also by adopting decisive plan for justly division of inflation pressure these arrangements, But common anti-inflation measure especially contraction monetary and budget policy from their point of view, is nothing but only a prescription for shaping the economic growth of non-developing countries, that also through experts that rationing developed investment countries and world organization.

Conceptual Framework

A conceptual framework is a survey instrument that comes in different forms and contexts. It is used to organize thoughts and make theoretical qualifications. A fair structure suggests the relationships between the variables under consideration and illustrates them visually or diagrammatically (Litster, Hurst & Cardoso, 2023). Effect of inflation is the dependent variable, and the independent variable is consumers buying behavior.



Inflation has a various definitions depending on how it is perceived. It is regarded as rise in general level of prices. The tendency of rising prices and fall in value of money is known as inflation. In the definition of inflation two keys words must become to mind. First, is aggregate or general, which implies that the entries rice in price that constitutes inflation must cover the entries basket? Of goods in the economy as distant from some isolated cuties the implication have is that change in the individual prices or any combination of the price cannot be considered as the occurrence of change inflation. However, a situation may rise such that a change in an individual price could cause the other price to rise. An example is petroleum price in Nigeria. This gain does not signal inflation unless the price adjustment in the basket is such that the aggregate price level is introduced to rise. Second, the rice in the aggregate level of price must be continues for inflation to be said to have occurred. The aggregate price level must show a tendency of a sustained and continuous rise over different time period (Zainab, 2015). According (2011, international conference on economic research). The study of cause of inflation has probably given rise to one of the most significant macros economic debates in the field of economics. The debates differ in their hypothesis mainly due to a range of conventional views about the appropriate measures to control inflation and also to disparate balance developing countries. In general, the cause of inflation in developed is broadly identified as growth of money supply. In developing countries, in contrast inflation is not an in developing purely monetary prominent beside, factors typically. Related to fiscal imbalances such as higher money growth and exchange rate depressions arising from a balance of payment crisis dominate the inflation process in developing countries, as discussed by sergeant and Wallace (1) and motile (2) this paper mainly attempts to views and analyzed the competing and complementary theories of inflation.

Theoretical Framework

Several theories were found relevant in analyzing and discussing this study, these theories give basis to the study. A theory is a set of interrelated concepts propositions and definition that present a systematic view of phenomena by specifying relationships among variable with the purpose of explaining and predicting that phenomena. This study will loke at the following theories:

- i. Structural list-monetarist(hybrid) theory and structural theory
- ii. The monetarist theory

According to the monetarists, inflation is a domestic monetary phenomena that arises to the central bank increases the money supply iin excess of the demand for money, it is asserted that the money supply is exogenous and under the control of the authorities. The monetarist model of the determinants of inflation is derived from the money demand function and is based on the hypothesis that inflation varies positively with the rate of money supply and negative with the rate of change in real income, ceteris paribus. In

practice, financing fiscal deficits through money creation by the central bank may raise price and erode foreign reserves (Agenor and Montiel, 1996). Monetarists see the short-term solution to inflation as implementation of a contractionary or restrictive monetary policy.

The structure list-monetarist (hybrid) theory

Fundamental omission from the monetarist theory of inflation are structural or cost-push elements that cause inflation. The monetarists explain cost increase in terms of change in the money supply, especially if the monetary authorities adopt an accommodation policy that seeks to prevent real output from falling. Cost-push inflation, which is absent in monetarist models, is a potentially serious problem in small open developing countries, where increases in foreign prices may be an important cause of domestic inflation. In recent years, several authors have developed models with monetarist and structure list features by directly augmenting the monetarist approach with cost-push factors. Some of the approaches have been to model the fiscal as the original force and list considerations in monetarist models (Chibber, 1992, Jha 1994). And to account for money supply dynamics in structure list models (Aghevli and Khan, 1978, Agenor and Montiel 1996).

Methodology

Study Area

The study was carried out in selected markets in the north east (Bauchi, Damaturu, Mubi and Taraba) with whole sellers and retailers as the unit of analysis.

Method of Data Collection

Primary sources were used to gather the data in this study. The primary sources of information entail gathering new, previously undiscovered data. According to Bagheri & Sohrabi (2015), primary data refers to unprocessed information typically gathered through questionnaires, interviews, or observation. Primary data was gathered using specially created questionnaires that would be administered to the whole sellers and retailers in the selected markets in the north eastern Nigeria. The choice for the instrument is for the fact that almost all the respondents are literate enough to fill questionnaire. The population of the survey is 500 respondents and the sample size is 350 out of the 500.

Method of Data Analysis

Inferential statistics were used in this study's data analysis to draw conclusions and inferences. SPSS 23.0 was used to analyze the data that was collected. The study used Spearman Rank Order Correlation to check the relationship between the independent variable and the dependent variable.

Findings

The following findings were made from the research;

1. **Shift in Consumption Patterns:** it was discovered that consumers prioritized essential goods over non-essential goods. They prefer spending on food items that are essential such as maize, guinea corn, garri, beans etc as compared to milk, eggs, corn flakes, ndomie etc.
2. **Decreased Purchasing Power:** Consumers buy less of the items they purchase in the market due to high cost and low income. As such, one that usually purchases ten measures of beans is forced to purchase perhaps five measures for instance.
3. **Psychological Effects:** inflation generally made consumers lose confidence in themselves due to anxiety and uncertainty.

4. Impact on Credit and Debt: inflation has affected how consumers manage debts. Those with debts find it harder to keep up with repayments as costs of living rise which leads to increased financial stress and borrowing.
5. Informal Market Participation: as a result of inflation, consumers tend to go to local farmers for cost effective options and leave the formal markets almost empty.

Recommendations

The following recommendations are hereby forwarded;

1. Price Sensitivity and Purchasing Decision: Consumers are advised to monitor price changes and adjust their pricing strategies to remain competitive.
2. Shift in Consumption Patterns: consumers are advised to focus on essential goods rather than luxury goods.
3. Support from Local Governments and NGOs: there should be sound policies that will mitigate effects by providing subsidies to support low income households during inflationary periods and in the same vein, there should be community partnership with NGOs to address immediate needs and provide resources for vulnerable populations affected by inflation.
4. Security and Safety factors: given the security issues in North East, Nigeria, businesses should also consider the implications of safety on consumer behaviour. Hence the need to address issues concerning security is very paramount.
5. There should be encouragement for the conduct of more survey and research of this sort as it will provide lasting solutions to the issue of inflation and consumer buying pattern in a positive manner in North East Nigeria.

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