

# The Determinants of Household Consumption Expenditure in Nigeria

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## ABSTRACT

Consumption expenditure is one of the important variables that have serious impact on overall economic performance of a nation. Therefore, this paper investigated the determinants of household consumption expenditure in Nigeria between 1981 and 2023. The study employed ARDL as an estimation technique and the findings of the study showed that, aggregate saving population size, population growth and level of inflation have serious influence on household consumption expenditure in Nigeria. Following these findings, the study therefore concluded that, aggregate savings, population size, population growth rate and rate of inflation greatly determine the household consumption expenditure in Nigeria. Based on this conclusion, the study made the following recommendations: policies that bring about reduction in the level of inflation in Nigeria should be formulated so as to enhance the consumption pattern of household at the same time, measures to enhance aggregate savings should put in place in the country since it contributes positively to the household consumption expenditure in Nigeria.

**Keywords:** Determinants, Household, Consumption, Expenditure, ARDL and Nigeria.

## INTRODUCTION

Consumption expenditure greatly impacts the economy of the nation, be it developed or developing country. The pattern of consumption expenditure of any country demonstrates the level of social life and welfare of the citizen and this has a way of impacting the overall wellbeing of a nation (Abdi, *et al*, 2016 and Wulandari & Priliandani, 2024). An increase in consumers expenditure boost demand drives production, promotes investment and brings about economic growth. On the other hand, insufficient consumption pattern leads to economic meltdown, reduction in firm's productions and brings about the potentially layoff of staff. Therefore, consumption expenditure is one the engines of economic growth however, it is important to ensure that it is balanced and sustainable to avoid potential negative consequences thereafter. The purchasing decision of household are so varied that the method of consumption have some disparities, and being influenced by many factors as consumption behaviour of household started from consumers' decision pattern to the environment he or she leaves (Donahue, *et al*, 2021).

Keynes (1936) in his book titled, "General Theory of Interest Rate, Money and Employment", propounded Absolute Income Hypothesis where it was stated that, aggregate consumption is a

function of aggregate current disposable income. This theory was built on fundamental psychological law of consumption which concluded that, men are disposed as a rule and as the level of proportion of income, the proportion of income that goes to consumption expenditure also increased but not as much as an increase in the level of income. This implies that, the proportion of income that goes to consumption increases but this increase is less than the total increase in income level. The relative income hypothesis by James Duesenberry in 1949 was propounded because of the rejection of Keynes' Absolute Income Hypothesis. This hypothesis was built on two fundamental assumptions namely, consumption behaviour of individual is not independent but interdependent of the behaviour of every other individual and that consumption expenditure is irreversible and not reversible in time. Based on these assumptions, the theory concluded that, the average propensity to consume of a family depends not only on his level of income but also on the level of income of the family in the neighbourhood with which he identified. In an attempt to resolve the contradictions between the proportional long-run and non-proportional short-run determinant of consumption, Friedman (1957) presented Permanent Income Hypothesis. He started his theory by rejecting current income as the sole determinants of consumption expenditure instead, he divided both income and consumption expenditure into permanent and transitory income and consumption respectively. Ando Modigliani (1957) in his article, formulated the Life Cycle Hypothesis. He submitted that, consumption expenditure of household is determined by the lifetime expected income of the consumer. The theory went further concluded that, the consumption expenditure of household depends on the resource available to the household, rate of return on capital, spending plan and age at which the consumption plan was made.

Empirically speaking, Iheonu & Nwachukwu (2020) investigated the macroeconomic determinants of household consumption expenditure in some selected West African countries, using panel augmented as an estimation technique between 1989 and 2018. The finding shown that, gross domestic product per capita and domestic credit to the private sector exhibited a significant impact on household consumption expenditure in those selected countries within the West African sub-region. Ekong & Effiong (2020) examined the economic determinants of household consumption expenditure in West African countries especially in Nigeria and Ghana, between 1999 and 2018, using panel regression analysis. The finding revealed that, gross national income and inflation demonstrated a significant positive impact on household consumption expenditure while interest rate as well as savings indicated a significant negative effect on household consumption expenditure in those countries. In the same vein, Minangsari (2020) attempted to demonstrate in his study, the influence of inflation on household consumption expenditure in South Sumatra, he observed that, consumption expenditure is influenced by several factors, one of which is the price level. The price level considers the real consumption as a function of real income therefore, real consumption is said to be the function of real income. Gajabo (2024) analyzed the household consumption expenditure behaviour in Ethiopia. The study made use of primary data while multinomial logit model was employed as an estimation technique. The results of the study showed that, an increase in the level of income, availability of job, access to credit as well as level of education of household exerted a positive and significant impact on the consumption expenditure of normal goods of household in Ethiopia. Wulandari & Priliandani (2024) examined the determinants of household consumption expenditure in Denpasar City of Indonesia between 2020 and 2022. The study employed multiple linear regression analysis and the results showed that, age of consumers

exerted a non- significant positive impact on consumption expenditure while income of the consumer had a significant positive impact on household consumption in Indonesia. Therefore, the aim of this study was to investigate the determinants of household consumption spending in Nigeria.

### STATEMENT OF PROBLEM

The issue of determinants of consumption expenditure have occupied front burner in the field of economics across the globe. For instance, consumption expenditure is affected by many factors namely economic, social, religion and cultural among other (Hone & Marisennayya, 2019 and Wulandari, et al, 2024). There are divergence opinions as regards the factors that influence the consumption expenditure of household. Chen, 2022 and Chen & Zhao, (2022) believed that age of consuming agent plays an important role in determining the consumption pattern of household while Puspita & Agustine, (2019), argued that, the nature of job of the consumer played a significant role in consumption pattern of household. Aknin, et al, (2020) Sasmaz & Sakar, (2020) & Zhu, et al, (2021), submitted that, the state of mind of household plays an important role in household consumption expenditure. The issue of consumption expenditure determinants an household have attracted series of debates right from Keyes (1936), Duesenberry (1949), Friedman (1957), Modigliani and Ando (1957) till date. Macklem (1994) submitted that, current disposable income and expected future income are both important determining factors of household consumption expenditure. Therefore, the purpose of this research was to analyze the determinants of household consumption expenditure in Nigeria. The study covers the period between 1981 and 2023 which spanned about of 43 years. This scope is long enough to establish both the short run and long run effect of consumption expenditure determinants on household consumption spending in Nigeria.

### MODEL SPECIFICATION

The model specification of the determinants of household consumption expenditure in Nigeria is in linear form which mirror the empirical model of Ekong & Effiong (2020); Minangsari (2020) and Gajabo (2024), which specified consumption as function of variables that determine it. The model is therefore modified by replacing the individual-based determinant variables of consumption expenditure by aggregated variables such as Literacy Rate (LR), Aggregate Savings (AGS), Population Size (POPS), Population Growth Rate (PGR), Inflation Rate (INFR), Interest Rate (INTR). The model is thereby presented thus:

$$HCE_{it} = \varphi_0 + \varphi_1 LR_{it} + \varphi_2 AGS_{it} + \varphi_3 POPZ_{it} + \varphi_3 PGR_{it} + \varphi_3 INF_{it} + \varphi_4 INT_{it} + \varepsilon_{3t} \dots 1.1$$

### ESTIMATION TECHNIQUE

The study adopted Auto-Regressive Distributed Lag (ARDL) as its estimation technique. Unit root test was carried out first to determine the time series characteristics of the variables in the study. ARDL technique is also made used of in order to determine the real determinants of household consumption expenditure in Nigeria.

### DISCUSSION OF FINDINGS

#### Descriptive Analysis of Statistics

**Table 1.1 Descriptive Statistics of Variables**

	HCE	GC	LR	AGS	POPZ	PGR	INF	INT	GEXP
Mean	151.7791	41.8615	55.8714	3331.829	127.9573	2.5817	15.9003	17.5112	2040.908
Median	96.9163	41.4000	55.2222	385.1909	122.2839	2.5857	10.8400	17.5000	947.6900
Maximum	290.8340	51.9000	70.1983	17040.72	200.9636	2.7098	72.8400	29.8000	9714.840
Minimum	55.1272	35.1000	51.0776	6.5626	75.4405	2.4888	5.3800	7.7500	9.6400
Std. Dev.	85.4436	3.6488	4.4585	5030.569	37.3031	0.0669	15.4522	4.5834	2544.412
Skewness	0.4245	0.7564	1.7809	1.3703	0.3721	0.1071	2.4489	0.2441	1.2530
Kurtosis	1.5600	3.7126	6.4383	3.5154	1.9603	1.7481	8.0919	3.7258	3.7161
Jarque-Bera	4.5406	4.5441	39.8265	12.6363	2.6563	2.6214	81.1140	1.2433	11.0376
Prob	0.1033	0.1031	0.0000	0.0018	0.2650	0.2696	0.0000	0.5371	0.0040
Obs	39	39	39	39	39	39	39	39	39

Source: Author's Computation, 2025

*Note: HCE= Household Consumption Expenditure (Billion USD); GC=Gini Coefficient (index); LR= Literacy rate (% of population above 15years); AGS= Aggregate savings (Billion naira); POPZ= Population size (million people); PGR= population growth rate (%); INF= Inflation rate (%); INT= Interest rate (%); GEXP= Government expenditure (Billion naira)*

Table 1.1 presented descriptive statistics of variables employed in the study. Results showed that government expenditure has the highest mean value of #2040.908 billion naira while population growth rate has the lowest mean value of 2.58%. Also, aggregate savings has the highest maximum value of about #17040.72 billion naira while population growth rate recorded the lowest maximum value of about 2.71 %. In the same vein, household consumption expenditure exhibits the highest value of about #55.13 billion naira while population growth rate indicated the lowest minimum value of about 2.49%. Results also indicated that population growth has the lowest median value of 2.48% while government expenditure has highest median value of #9714.84 billion naira. Skewness statistics showed that all the variables are skewed to the right while kurtosis statistics indicated that household consumption expenditure, population size and population growth are platykurtic by peakedness meaning that, the statistical distribution is having kurtosis less than that of a normal distribution or is having a negative excess kurtosis while other variables are leptokurtic by peakedness which suggested that, the statistical distribution is having kurtosis greater than that of normal distribution or is having a positive excess kurtosis. Jarquebera statistics result in addition showed that all the variables are normally distributed except literacy rate, aggregate savings, inflation rate and government expenditure.

## Correlation Analysis

**Table 1.2 Correlation Matrix**

	HCE	GC	LR	AGS	POPZ	PGR	INF	INT	GEXP
HCE	1.0000								
GC	-0.5503	1.0000							
LR	0.1019	-0.1768	1.0000						
AGS	0.8789	-0.6252	0.1313	1.0000					
POPZ	0.9621	-0.4938	0.1555	0.8984	1.0000				
PGR	0.5390	-0.5015	-0.1230	0.4627	0.3815	1.0000			
INF	-0.1688	0.5762	-0.0273	-0.1358	-0.0961	-0.4551	1.0000		
INT	-0.0051	0.3099	-0.0124	-0.1041	0.0845	-0.2917	0.3519	1.0000	
GEXP	0.91391	-0.6129	0.1651	0.9732	0.9391	0.45791	-0.1485	-0.0822	1.0000

Source: Author's Computation, 2025

Table 1.2 presented correlation coefficients matrix of the pairs of variables employed in the study. Reported correlation coefficients showed that a negative relationship existed between household consumption expenditure and variables including gini coefficient (-0.5502816), inflation rate (-0.1687754) and interest rate (-0.005059), while a positive behaviour was exhibited between household consumption expenditure and variables like: literacy rate (0.1019022), aggregate savings (0.8788603), population size (0.962173), population growth (0.5389608) and government expenditure (0.9139064). This demonstrated that, household consumption expenditure responded directly to literacy rate, aggregate saving, population size, population growth and government expenditure, but household expenditure moves in different direction when compared with gini coefficient, inflation rate and interest rate. This finding is also in line with the findings of Ekong & Effiong (2020); Minangsari (2020) and Gajabo (2024) which submitted that the level of economic growth, inflation and level of education impacted the consumption expenditure of household in selected West African Country, Sumatra and Ethiopia respectively.

The Results also showed that gini coefficient has negative relationship with literacy rate (-0.1767376), aggregate savings (-0.6251875), population size (-0.493779), population growth (-0.501491) and government expenditure (-0.615060) while gini coefficient has positive connection with inflation rate (0.5762261) and interest rate (0.3098746). Result in addition revealed that literacy rate has positive connection with population growth rate (-0.122947), inflation (-0.027256) and interest rate (-0.012381) while literacy rate has positive relationship with aggregate savings (0.131327), population size (0.1155469), and government expenditure (0.165060). This means that gini coefficient moves in same direction with interest rate and inflation rate, but in different direction with literacy rate, aggregate saving, population size, population growth and government expenditure. This is in consonance with the submission of Ekong & Effiong (2020); Minangsari (2020) and Gajabo (2024).

Results also revealed that aggregate savings has negative association with inflation rate (-0.135765) and interest rate (-0.104095), while aggregate saving has positive relationship with population size (0.898375), population growth (0.462735) and government expenditure (0.9732279). Correlation matrix indicated that population size has negative relationship with inflation rate (-0.0960621) but positive association with population growth (0.381468), interest rate (0.0845398) and government expenditure (0.939102). Result showed that population growth rate has negative relationship with inflation rate (-0.4551194) and interest rate (-0.2916690) but positive relationship with government expenditure. Result further revealed that inflation rate has positive relationship with interest rate (0.351851) but negative relationship with government expenditure (-0.14845) and that interest rate has negative association with government expenditure (-0.08223).

### **Unit Root Test**

A unit root test was conducted to determine the inherent stationary characteristics and predictive attributes of the variables. The presence of a unit root signifies that the examined time series lacks stationarity, whereas the absence of a unit root indicates a stationary series. This test elucidates the order of integration for each variable, offering insights into how these variables respond to external shocks. In this study, the Augmented Dickey-Fuller (ADF) test was employed as the chosen unit root test methodology. The outcomes of this analysis,

encapsulating the results of the ADF tests, are succinctly summarized and presented in Table 1.3.

**Table 1.3 Summary of Unit Root Test Result**

At Level				At First Difference			
Variables	ADF statistics	1% critical value	5% critical value	ADF statistics	1% critical value	5% critical value	Order of integration
HCE	-0.3205	-3.6156	-2.9412	-6.9116*	-3.6210	-2.9434	I(1)
GC	-2.3976	-3.6268	-2.9458	-4.3269*	-3.6268	-2.9458	I(1)
LR	-3.8261*	-3.6210	-2.9434	---	---	---	I(0)
AGS	-0.7336	-3.6156	-2.9412	-4.4903*	-3.6210	-2.9434	I(1)
POPZ	0.6298	-3.6210	-2.9434	-6.7975*	-3.6617	-2.9604	I(1)
PGR	-6.7804*	-3.6537	-2.9571	---	---	---	I(0)
INF	-2.8704	-3.6210	-2.9434	-5.1239*	-3.6210	-2.9434	I(1)
INT	-3.5716*	-3.6156	-2.9412	---	---	---	I(0)
GEXP	-1.4212	-3.6210	-2.9434	-7.4978*	-3.6210	-2.9434	I(1)

Source: Author's Computation, 2025

Note: *\*(\*)* connote significance at 1% and 5% significant levels respectively

The test outcomes, as presented in Table 1.3, indicate that with the exception of literacy rate, population growth rate, and interest rate, the variables utilized in this study exhibit non-stationarity at the level. However, upon application of first differencing, these variables attain stationarity. This implies that the majority of the variables retain innovative shocks for only a brief temporal span before dissipating. In essence, the results underscore that household consumption expenditure, Gini coefficient, aggregate savings, population size, inflation rate, and government expenditure exhibit an integration order of one (I(1)), indicating a propensity to revert to their mean over time. Conversely, literacy rate, population growth rate, and interest rate exhibit an integration order of zero (I(0)), signifying a sustained, unchanging behavior over time.

### Analysis of Determinants of Household Consumption Expenditure in Nigeria Co-integration Test Result

**Table 1.4: ARDL Co-integration Bound Test**

F-Statistic	Lower Bound Critical Value	Upper Bound Critical Value
7.990551	2.45	3.61

Source: Author's Computation, 2025

Note: *critical values are values at 5% significant level.*

In Table 1.4, both lower and upper bound critical values are documented alongside the F-statistics derived from the Wald test, which was conducted to examine the collective null hypothesis that the coefficients of the lagged level variables are zero. This hypothesis assesses the absence of a long-term relationship between the variables. The obtained result yields an F-statistics value of 7.990551, accompanied by corresponding lower and upper bound critical values of 2.45 and 3.61, respectively. A comparative analysis between the calculated F-statistic and the critical values unveils that the F-statistic surpasses the upper bound critical value. This condition aligns with the requirement for rejecting the null hypothesis that suggests the lack of

a long-term relationship. Consequently, this study attains the basis to reject the null hypothesis and, instead, embraces the alternative hypothesis positing the presence of a long-term relationship among the variables.

**Table 1.5: ARDL Short Run and Long run Estimation Result**

Series: HCE LR AGS POPZ PGR INF INT

Short run estimation				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(HCE(-1))	2.167576*	0.363436	5.964116	0.0001
D(HCE(-2))	1.599588*	0.277905	5.755881	0.0001
D(HCE(-3))	0.659291*	0.192703	3.421271	0.0057
D(LR)	-0.450695	0.337896	-1.333828	0.2092
D(LR(-1))	0.943523*	0.302790	3.116096	0.0098
D(LR(-2))	-0.202283	0.234860	-0.861289	0.4075
D(AGS)	0.707068*	0.152741	4.629182	0.0007
D(AGS(-1))	-0.039495	0.166212	-0.237616	0.8165
D(AGS(-2))	0.314264	0.206357	1.522912	0.1560
D(POPZ)	-3.569334*	6.726729	-5.306197	0.0003
D(PGR)	9.784155*	1.691650	5.783781	0.0001
D(PGR(-1))	-2.243681	2.588379	-0.866829	0.4045
D(PGR(-2))	-1.058639	9.612975	-1.101256	0.2943
D(INF)	0.026592	0.044061	0.603518	0.5584
D(INF(-1))	-0.047312	0.048769	-0.970113	0.3528
D(INF (-2))	-0.200098*	0.046570	-4.296722	0.0013
D(INT)	-0.028898	0.126099	-0.229166	0.8229
CointEq(-1)	-3.842825*	0.507910	-7.565953	0.0000
Cointeq = HCE - (-0.2742*LR + 0.0808*AGS + 1.1522*POPZ + 245.5108				
*PGR + 0.1151*INF -0.0075*INT + 6.5689)				
Long Run Estimation				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
LR**	-0.274247	0.136424	-2.010252	0.0696
AGS	0.080821	0.071429	1.131493	0.2819
POPZ	1.152197	0.635754	1.812332	0.0973
PGR*	2.455107	3.955138	6.207363	0.0001
INF*	0.115143	0.011422	10.081163	0.0000
INT	-0.007520	0.032791	-0.229331	0.8228
C	6.568949	4.739233	1.386079	0.1932

Source: Author's Computation, 2025

Note: \*(\*\*) connote significant at 1% and (5%) level of significance

Estimation result presented in table 1.5 revealed both the short run and the long run estimation result. Result showed that on the short run literacy rate in the same period exert insignificant negative impact on household consumption expenditure, with report coefficient estimate of -0.450695 ( $p = 0.2092 > 0.05$ ). Notably, result revealed that a period lag of literacy rate has positive significant effect on human consumption expenditure with coefficient of 0.943523 ( $p = 0.0098 < 0.05$ ) while two period lag in literacy rate has negative insignificant effect on household consumption expenditure given the coefficient estimate of -0.202283 ( $p = 0.4075 >$

0.05). Result also showed that on the short run aggregate savings in the same period has positive significant effect on household consumption expenditure to the tune of 0.707068 ( $p=0.0007 < 0.05$ ). Observably, result showed that a period lag and two lag of aggregate savings has negative and positive insignificant respectively on household consumption with coefficient of -0.039495 ( $p= 0.8165 > 0.05$ ) for one period and 0.314264 ( $p= 0.1560 > 0.05$ ) for two period lag of aggregate savings. Result on the short-run in addition indicated that population size in the same period has negative significant effect on household consumption expenditure given the coefficient and probability of -3.569334 and 0.0003 ( $p < 0.05$ ).

Result revealed that on the short run population growth rate in the same period had positive significant effect on household consumption expenditure with coefficient of 9.784155 ( $p= 0.0001 < 0.05$ ). A period lag in population growth and two period lag in population growth has negative insignificant effect on household consumption expenditure to the tune of -2.243681 ( $p= 0.4045 > 0.05$ ) and -1.058639 ( $p= 0.2943 > 0.05$ ) respectively. Result further depicted that inflation rate had positive insignificant effect on household consumption expenditure with coefficient and probability of 0.026592 and 0.5582 ( $p > 0.05$ ). Observably, result indicated that one period lag in inflation rate and two period lag in inflation rate has negative effect on household consumption expenditure but effect of one period lag was insignificant given the coefficient of -0.047312 ( $p= 0.3528 > 0.05$ ) and -0.200098 ( $p= 0.0013 < 0.05$ ) respectively. Result furthermore revealed that on the short run interest rate in the same period has negative insignificant effect on household consumption expenditure to the tune of -0.028898 ( $p= 0.8229 > 0.05$ ). Reported ECT (-1) reflect that about 384% of the short run inconsistencies is corrected and incorporated into the long run dynamic annually, with reported probability value of 0.0000  $< 0.05$  and 0.01 showing significant speed of adjustment at 5% and 1% level of significance.

The long run estimation result showed that literacy rate and interest rate demonstrate an insignificant negative effect on household consumption expenditure with reported coefficient and probability of -0.274247 and 0.0696 ( $p > 0.05$ ) for literacy rate as well as -0.007520 and 0.8228 ( $p > 0.05$ ) for interest rate. Result also revealed that aggregate savings and population size exert positive insignificant effect on household consumption expenditure on the long run to the tune of 0.080821 ( $p=0.2819 > 0.05$ ) for aggregate savings and -0.007520 ( $p=0.1932 > 0.05$ ) for interest rate. Result further indicated that population growth rate and inflation rate show a significant positive effect on household consumption expenditure given coefficient and probability of 2.455107 and 0.0001 ( $p < 0.05$ ) for population growth rate as well as 0.115143 and 0.0000 ( $p < 0.05$ ) for inflation rate.

### Linearity Test Result

**Table 1.5: Linearity Test Result**

Linearity Test		
<i>Statistics</i>	<i>Values</i>	<i>Probability</i>
T-statistic	1.285387	0.2276
F-statistic	1.652219	0.2276
Normality Test		
<i>Statistics</i>	<i>Values</i>	<i>Probability</i>
Jarque-Bera Stat	0.070569	0.965331
Serial Correlation LM Test		



<b>Statistics</b>	<b>Values</b>	<b>Probability</b>
F-statistic	3.850736	0.0619
Heteroscedasticity Test		
<b>Statistics</b>	<b>Values</b>	<b>Probability</b>
F-statistic	1.222957	0.376

Source: Author's Computation, 2025

The findings from the Ramsey test are presented comprehensively in Table 1.5, showcasing the linearity results of the statistics measures such as t-statistics and f-statistics, each accompanied by their corresponding probability values. Notably, the reported t-statistics and f-statistics stand at 1.285387 ( $p = 0.2276 > 0.05$ ) and 1.652219 ( $p = 0.2276 > 0.05$ ) respectively. These results signify a lack of substantial evidence to warrant the rejection of the null hypothesis asserting the correct specification of the model. Examining the Jarque-Bera statistics value for the error term in the estimated models, the recorded figure is 0.070569 ( $p = 0.965331 > 0.05$ ). This observation indicates that there is inadequate justification to dismiss the null hypothesis suggesting normal distribution of the error term, thereby reinforcing the assumption of normal distribution. Further insights are gleaned from the Breusch-Godfrey serial correlation LM test, yielding a result of 3.850736 ( $p = 0.0619 > 0.05$ ). This outcome supports the conclusion that no significant evidence exists to warrant the rejection of the null hypothesis positing the absence of serial correlation between successive error term values in the estimated models. Consequently, any concerns related to serial autocorrelation in the estimated models are dispelled. The evaluation of heteroscedasticity, as denoted by F-statistics and probability values of 1.222957 and 0.3760 respectively, reveals no compelling grounds to refute the null hypothesis advocating constant variance of the error term (homoscedasticity). This assessment solidifies the confirmation that heteroscedasticity is not a prevailing issue within the error term of the estimated models.

## DISCUSSION OF FINDINGS

Result showed that aggregate savings is one of the determinants of household consumption expenditure given its short run significant effect. This implies that the level of household consumption expenditure can be substantially predicted by the level of savings and with the positive effect indicated in the finding, it can be deduced that when aggregate savings increases, there is the tendency that household consumption also increase. Result also revealed that population size represents determinant of household consumption, with the significant effect presented in the short run. This implies that number of people in the country can describe or explain remarkably the level of household consumption expenditure. Result in addition revealed that another determinant of household consumption expenditure is population growth rate, given its significant both in the short and long run. This means that growth of population can be an important factor to be considered, if need be, to predict or reduce or enhance the pattern of household consumption expenditure. Result further indicated that inflation rate is one of the determining factors of household consumption expenditure since it has significant effect, although only in the long run. This means that inflation rate can be engaged in determining, predicting or explaining the level of household consumption expenditure. Findings of this study are in congruence with submissions and conclusions of previous studies such as Ekong & Effiong (2020); Minangsari (2020) and Gajabo (2024) which submitted that the level of economic growth, inflation and level of education impacted the

consumption expenditure of household in selected West African Country, Sumatra and Ethiopia respectively. Inflation expectations may be associated with higher spending when expected real wage growth is held constant.

### CONCLUSION

Based on these findings, this study therefore concluded that aggregate savings, population size, population growth inflation rate and level of income of the consumer are determinants of household consumption expenditure in Nigeria. On the short run analysis aggregate savings, population size, and population growth rate are significant determinants of household consumption expenditure in Nigeria while on the long run determinant variables are population growth rate and the level of inflation. This study also concluded that the dynamic relationship between income inequality and household consumption expenditure is not significant. The study reflected that when previous level of income inequality worsens, there is still tendency for household to increase the level of consumption spending, but not significantly. By and large, the study concluded that aggregate savings, population size, and population growth rate greatly determine the household consumption expenditure in Nigeria.

Follow from the conclusion of this study, the following recommendations were made that:

- i. Policies that will reduce the level of inflation in Nigeria should be formulated so as to enhance the consumption pattern of household.
- ii. Government should ensure to put in more measures to enhance aggregate savings in the country since this will contribute to household consumption expenditure in the country.
- iii. Government should take the advantages of growth the Nigerian population so as to promote the household consumption expenditure in Nigeria.

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