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THE IMPACT OF SOCIOECONOMIC STATUS ON THE CONSUMPTION PATTERNS OF HOUSEHOLDS IN NIGERIA

by

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ABSTRACT

This study examines the impact of socioeconomic status on consumption patterns among households in Nigeria using data from the 2018/2019 post-harvest General Household Survey (GHS – Wave 4). The theoretical framework of the Life-Cycle Hypothesis (LCH) is employed to analyze how individuals' socioeconomic background shapes their consumption decisions over time. Using the Ordinary Least Square (OLS) technique, the study quantitatively analyzes the impact of income levels, education, and employment on household consumption expenditure. The findings indicate a positive correlation between income and overall consumption, as well as between income and both food and non-food consumption, suggesting that higher income leads to increased spending across various categories. Additionally, higher education levels are linked to more informed purchasing decisions, resulting in higher consumption levels across different educational backgrounds. Furthermore, the study reveals that occupation significantly influences consumption, with self-employed individuals allocating more towards food and less towards other expenses compared to regular employees. Based on the findings, the study recommends that policymakers implement income support measures, invest in educational improvements, and develop occupational initiatives to address socioeconomic disparities and foster fair consumption patterns in Nigeria.

Keywords: Socioeconomic status, Consumption patterns, Life-cycle hypothesis, Aggregate consumption, Food and Non-food consumption.

1. INTRODUCTION

Socioeconomic status (SES), is a multidimensional construct that reflects an individual's or household's social and economic standing, typically measured through income, education, and occupation (Navarro-Carrillo et al., 2020; Wang & Geng, 2019). These indicators are critical in shaping welfare outcomes, including access to resources, decision-making, and overall well-being. Consumption patterns, on the other hand, describe the trends and recurring choices of households in allocating income across goods and services. Understanding how SES influences consumption is central to explaining disparities in living standards and welfare outcomes across populations.

Evidence from literature suggests that income, education, and occupation have a significant impact on household spending behavior (Haymond, 2022; Siracusa, 2011; Martinez & Lee, 2019). Higher income levels typically expand the scope of consumer choices, while education improves decision-making and cultural capital, and occupational roles often shape not just earnings but also consumption priorities. However, the strength and direction of these relationships often differ between developed and developing economies, making country-specific analysis crucial. This study situates the discussion within Nigeria, a context marked by persistent income inequality, educational disparities, and high unemployment.

The relationship between SES and consumption patterns is particularly relevant for Nigeria, where social and economic inequalities remain pronounced. Despite progress in educational attainment, UNESCO (2022) reports that nearly 20 million children are still out of school, a situation that threatens future earning potential and consumption capacity. At the same time, disparities in educational access and outcomes translate into uneven economic opportunities and differing household consumption behaviors (Ogunode et al., 2022; Gunderson & Oreopoulos, 2020).

Income disparities further compound these challenges. Recent statistics reveal that a large share of Nigerians earn less than ₦300,000 annually, while inflation peaking at 28.9 percent in December 2023 has eroded real incomes and purchasing power (Premium Times, 2021; National Bureau of Statistics, 2023). The persistence of poverty and the rising cost of living have constrained household consumption, often forcing prioritization of essentials at the expense of broader welfare-enhancing expenditures (Aberu, 2023).

Employment and occupational differences also play a central role. Nigeria faces persistent unemployment and underemployment, with millions either jobless or unable to maximize their productive potential (NBS, 2023). Such labor market dynamics influence both income levels and consumption choices. While stable employment often enables greater spending on diverse goods, unemployment and precarious jobs limit consumption to basic necessities (Bisht, 2023; Jankiewicz, 2018). Taken together, these issue highlights the importance of examining SES determinants of consumption in Nigeria.

While numerous studies have examined SES and consumption globally, evidence from Nigeria remains fragmented and often limited to specific commodities or regions (Adeniyi et al., 2012; Mohammed et al., 2023). Much of the existing research focuses on narrow aspects such as fish or sugar consumption without addressing broader household consumption dynamics across the country. This leaves significant gaps in understanding how income, education, and occupation jointly shape household behavior.

This study contributes by utilizing the 2018/2019 General Household Survey (GHS), which offers nationally representative data across Nigeria's 36 states and the Federal Capital Territory. Unlike localized studies, this dataset allows for robust analysis of household-level consumption behavior, providing insights at both aggregate and disaggregated levels (food and non-food consumption). Moreover, by employing econometric analysis, the study advances beyond descriptive approaches commonly used in the Nigerian context.

The findings are expected to enrich both academic discourse and policy design. For producers and marketers, insights into socioeconomic drivers of consumption can guide strategies for reaching diverse consumer groups. For policymakers, the results provide evidence to support inclusive growth initiatives by addressing socioeconomic inequalities that constrain household welfare. Thus, the study serves as an intervention in understanding the complex relationship between socioeconomic status and consumption in Nigeria. The research questions addressed are: How does income influence consumption patterns in Nigeria? What is the impact of education on household consumption choices? In what ways does occupation affect consumption behavior?

The remainder of this paper is organized as follows: Section 2 reviews the relevant literature and theoretical framework guiding the study. Section 3 discusses the research methodology, including model specification, data sources, and estimation techniques. Section 4 presents and interprets the empirical results. Section 5 concludes the paper by summarizing key findings, highlighting limitations, and offering policy recommendations.

2. LITERATURE REVIEW

Several economic theories provide insights into how socioeconomic status (SES) influences consumption. The Life-Cycle Hypothesis (LCH) (Modigliani & Brumberg, 1954), posits that individuals plan consumption and savings over their lifetime based on expected income, with higher SES enabling smoother consumption across different life stages. Keynes' consumption theory emphasizes current disposable income as the primary determinant of consumption, suggesting that lower-income households exhibit higher marginal propensities to consume compared to wealthier groups. Friedman's Permanent Income Hypothesis (1957), extends this logic by stressing that long-term average income, rather than current earnings, shapes consumption, thus linking education and occupation to future income prospects. Finally, Bourdieu's theory of consumption (1984) highlights the role of cultural capital and social stratification, showing how education and occupation not only determine access to resources but also influence tastes and preferences in consumption. These frameworks collectively underscore the multidimensional nature of SES and its impact on household consumption decisions.

Globally, SES has consistently been linked to variations in consumption. Studies in Thailand (Manajit et al., 2020) show that higher-income households devote larger shares of expenditure to luxury goods, while lower-income households prioritize essentials. In Pakistan, socioeconomic factors such as gender and education significantly influence consumption in sectors like telecommunications, while income plays a less central role (Khar & Irfan, 2021). Other studies highlight that education enhances consumer rationality, as more educated individuals are better informed and more responsive to new products and services (Juster, 1975). Occupation also matters: professionals tend to consume more status-related goods, whereas lower occupational classes often prioritize practical necessities (Olarenwaju, 2018). These findings indicate that the relationship between SES and consumption is not linear but shaped by complex social, cultural, and economic dynamics

Research on Nigeria presents similar patterns but remains fragmented. Akanbi et al. (2020) found that income shocks significantly reduce household consumption in Osun State, while

Adeniyi et al. (2012) linked monthly expenditure to fish consumption in Oyo State. Mohammed et al. (2023) demonstrated that income, education, occupation, and household size influenced sugar consumption in Bauchi State. Ibbih and Siyan (2018) identified disposable income, exchange rates, and inflation as determinants of household consumption in Nasarawa. Collectively, these studies emphasize that SES drives both food and non-food consumption, yet their scope is often restricted to single states or commodities, limiting generalizability.

National statistics further illustrate the relevance of SES. A large share of Nigerians live below the poverty line, constraining their spending power, while rising inflation erodes disposable income (NBS 2023). Educational disparities, especially where millions of children remain out of school despite improvements in enrolment rates, create long-term inequalities in consumption capacity. Employment patterns also matter: with underemployment and informality widespread, many households face unstable incomes that affect their ability to consume beyond basic needs. These dynamics suggest that SES not only affects the level of consumption but also its composition, with poorer households devoting more to food while wealthier groups diversify into non-food expenditures.

While the existing literatures emphasize a strong link between SES and household consumption, three gaps remain. First, Nigerian studies often rely on state-level or commodity-specific data, offering little insight into national patterns. Second, many analyses treat SES variables in isolation rather than examining how income, education, and occupation interact to shape consumption. Third, disaggregation into food and non-food expenditure is rare, despite evidence that SES influences these categories differently. Addressing these gaps requires nationally representative micro-level data and a multidimensional approach to SES, which this study provides by using the General Household Survey (2018/19) to analyze the effects of income, education, and occupation on both food and non-food consumption across Nigerian households.

3. METHODOLOGY

The study adopts the Life-Cycle Hypothesis (LCH) as its primary theoretical lens, given its strong alignment with the research focus on socioeconomic status (SES) and consumption patterns. The LCH posits that individuals seek to smooth their consumption across their lifetime, borrowing during periods of low income and saving during periods of high income. However, variations in characteristics, resources, and experiences lead to heterogeneity in consumption decisions (Salim, 2004). Consumption behavior thus evolves across life stages, influenced by factors such as age, income, and household needs. While younger individuals may prioritize education, housing, or durables, older individuals typically shift spending towards healthcare and basic needs.

In particular, SES indicators such as income, education, and occupation directly shape consumption trajectories. Higher SES households generally enjoy increased resource access and higher consumption levels, while lower SES households are constrained by financial limitations. Education enhances earning potential and employment opportunities, thereby raising both the level and quality of consumption (Okanazu et al., 2021; Zhang & He, 2007). Occupation status also matters: stable, well-paying jobs foster consistent consumption, while precarious or low-paying jobs result in fluctuations in expenditure (Olanrewaju, 2018).

The LCH therefore provides a robust framework to analyze how SES influences household consumption decisions across different stages of life. It highlights that income trajectories, education, and employment are not only drivers of immediate consumption but also of intertemporal welfare choices.

Following prior literature (Rusdiana et al., 2020; Begum et al., 2020; Adeniyi et al., 2012), the study employs a multiple regression framework to model the impact of SES on consumption expenditure.

The baseline functional form is:

$$Ci = f(SESi) \ldots\ldots\ldots\ldots\ldots\ldots (1)$$

where Ci, is the consumption expenditure and f is a function of socioeconomic indicators. Equation (1) is then remodified in a linear form as follows in equation (2):

$$Ci = \beta 1 + \beta 2INCi + \beta 3EAi + \beta 4EMPi + \beta 5AGEi + \beta 6AGE2i + \beta 7MAi + \beta 8GEi + \beta 9HLT + \beta 10RSAi + \beta 11HHZ + \mu i \ldots\ldots\ldots\ldots\ldots (2)$$

Where:

• Ci: aggregate household consumption expenditure (food and non-food)
• $INCi$: total income
• EAi: educational attainment of household head
• $EMPi$: employment/occupation status
• $AGEi$, $AGEi^2$: age and squared age, capturing non-linear life-cycle effects
• MAi: marital status
• GEi: gender of household head
• $HLTi$: health status
• $RSAi$: resident (rural/urban)
• $HHZi$: household size
• μi: error term that accounts for unobserved factors and random disturbances

In the model, the coefficients β measure the marginal effects of each independent variable on consumption. Income, education, and employment are the primary SES determinants expected to significantly shape household consumption, while demographic and health-related factors serve as important controls.

The study applies Ordinary Least Squares (OLS) regression to estimate the relationship between SES and consumption. OLS is appropriate given the continuous nature of the dependent variable (household expenditure). To normalize variation across observations, consumption expenditure is expressed in logarithmic form. This specification provides unbiased and efficient estimates, assuming classical linear regression assumptions hold. Diagnostic checks are applied for multicollinearity and heteroscedasticity to ensure robustness.

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Utilizing data from the 2018/2019 Nigeria General Household Survey (GHS-Panel, Wave 4), implemented by the National Bureau of Statistics (NBS) in collaboration with the World Bank's LSMS-ISA program. The dataset is nationally representative, covering approximately 5,000 households across Nigeria's six geopolitical zones. The dependent variable is household consumption expenditure, comprising both food and non-food components. Respondents reported weekly consumption quantities and 30-day spending across a wide range of items.

Key independent variables include:

- Income: annual earnings of the household head.
- Education: highest level attained (no schooling, low, medium, high).
- Employment: occupation and work activity in the past seven days.

Control variables include health status, age, marital status, gender, household size, residential area (urban/rural), and ethnicity.

This dataset provides a robust foundation for examining the links between SES and household consumption, capturing both structural socioeconomic factors and household demographics.

4. EMPIRICAL ANALYSIS AND DISCUSSION OF RESULTS

This study examined the impact of socioeconomic status (SES) on household consumption patterns in Nigeria using data from the 2018/2019 General Household Survey (GHS-Panel). Guided by the Life-Cycle Hypothesis (LCH) and employing Ordinary Least Squares (OLS) regression, the analysis highlights how income, education, and employment influence household expenditure.

Table 1 provides an overview of the socioeconomic and demographic characteristics of Nigerian households. Average total household consumption expenditure is ₦2,277.52, with a higher share allocated to non-food consumption (₦1,533.26) compared to food (₦510.67). The average income is ₦112,626.77, though with considerable variation across households. The average household size is six members, while the mean age of household heads is 28 years.

Table 1: Descriptive Summary

Continuous Variables	Observations	Mean	Standard deviation
Total consumption	6885	2277.519	7337.769
Food consumption	66732	510.672	1226.188
Non-food consumption	46353	1533.262	5990.578
Total income	7226	112626.77	221398.91
Household size	547451	6.094	3.627
Age	491728	27.898	21.744
Age Square	491728	1251.086	1677.813

The categorical distributions show that a majority of household heads have no or low-level education (65.9%), with only 11% attaining higher education. Employment data indicate that 71.6% of respondents are unemployed, 19.6% self-employed, and only 8.7% wage-employed. Most respondents reside in rural areas (68%) and are in good health (88%). Gender distribution is balanced, and 46.8% of household heads are married.

From table 2, income exerts a strong positive effect on household consumption indicating that a 1% rise in income increases aggregate consumption by 25.1%, food consumption by 19%, and non-food consumption by 26.9%. This aligns with the Keynesian consumption theory. Higher incomes boost purchasing power, enable households to diversify consumption, and enhance expenditure on welfare-improving goods (housing, healthcare, education).

Household size also positively influences expenditure, suggesting larger families demand broader consumption baskets. Conversely, rural households consume significantly less than their urban counterparts, particularly in non-food items, reflecting lower income levels and limited access to services.

Table 2. Effect of Income, Education, and Employment on Consumption

Variable	**Aggregate Consumption**	**Food Consumption**	**Non-food Consumption**
Income	+25.1%***	+19.0%***	+26.9%***
Higher Education	+24.6%***	+16.5%***	+26.7%***
No Education	+ (agg & non-food)	− (food)	+ (non-food)
Low Education	− (all categories)	− (food)	− (non-food)
Wage Employment	−18.1%**	+4.7%	−13.4%*
Self-Employment	−24.0%**	+8.5%	−21.6%**
Household Size	+ significant	+ significant	+ significant
Rural Residence	− significant	− significant	− significant
Health (poor)	− significant	− significant	− significant

Age is negatively related to consumption, though the squared term is positive, implying consumption follows a life-cycle pattern. Declining initially with age but rising again in later years for non-food needs.

Education significantly shapes consumption behavior. Relative to mid-level education (reference group), higher education is associated with higher consumption across all categories: 24.6% (aggregate), 16.5% (food), and 26.7% (non-food). Non-educated individuals show mixed results where higher non-food but lower food spending, while low-level education negatively influences all categories. This highlights the role of education in enhancing income opportunities and informed decision-making, thereby driving diversified and welfare-oriented consumption. Control variables reinforce earlier findings: rural households spend less, married and never-married individuals consume more than single spouses, and ill health reduces both food and non-food expenditure.

Relative to the unemployed, wage-employed households spend less on aggregate (−18.1%) and non-food consumption (−13.4%) but more on food consumption (+4.7%). Self-employed households show similar patterns, with reduced aggregate (−24%) and non-food (−21.6%) expenditure but slightly higher food spending (+8.5%).

These findings suggest that both wage and self-employed households prioritize essential food spending, possibly due to income instability, while discretionary non-food spending remains constrained. This contrasts with unemployment, where aggregate consumption appears higher which is an anomaly likely driven by reliance on extended family networks, informal transfers, or data reporting biases.

5. CONCLUSION

The results show that income is a key determinant of consumption. Higher-income households allocate more resources to both food and non-food items, reflecting improved purchasing power and confidence in economic stability. Rising incomes are also associated with greater investment in welfare-enhancing goods such as housing, education, and healthcare.

Education also plays a critical role. Households headed by individuals with higher education levels tend to spend more, particularly on non-food items that enhance welfare and quality of life. Conversely, low educational attainment is associated with lower and less diversified consumption.

Employment status shapes consumption patterns in more nuanced ways. Wage employment shows mixed effects, positively influencing food spending but negatively associated with non-food expenditure. Self-employment displays a similar trend, suggesting that both categories may face income fluctuations that limit discretionary consumption. Unemployment remains a major constraint, particularly for young Nigerians, restricting household expenditure to basic necessities.

Together, these findings confirm that SES is a strong determinant of household welfare outcomes in Nigeria, with implications for poverty reduction, inclusive growth, and policy targeting.

The study concludes that household consumption in Nigeria is significantly influenced by socioeconomic status, especially income, education, and occupation. Higher-income and better-educated households exhibit stronger and more diversified consumption, while households with unstable or limited employment are more vulnerable to restricted spending patterns. These dynamics reflect the broader socioeconomic context of Nigeria, where disparities in income and education directly shape welfare outcomes.

A key limitation of the study lies in its focus on aggregate categories of food and non-food expenditure. The analysis does not disaggregate these categories into specific items, which may mask important variations in how SES affects detailed consumption choices (e.g., staple foods versus luxury foods, or education versus health spending). Future research should pursue more granular analyses to capture the differentiated impacts of SES on specific consumption items and services.

The findings offer valuable insights for policymakers seeking to address socioeconomic inequality and improve household welfare in Nigeria:

1. Income Support and Job Creation: Policies aimed at raising household incomes, such as minimum wage adjustments, social protection programs, and targeted job-creation schemes, should be prioritized to reduce poverty and enhance consumption capacity.

2. Investment in Education: Expanding access to quality education across all socioeconomic groups is crucial. Interventions should include infrastructure development, scholarships for disadvantaged groups, and vocational training to improve employment prospects and income potential.

3. Employment Diversification: Encouraging entrepreneurship and supporting small and medium-sized enterprises (SMEs) will help create stable income streams. Occupational development programs can also enhance productivity, expand job opportunities, and reduce vulnerability to income shocks.

By addressing income disparities, improving education, and expanding employment opportunities, Nigeria can foster more equitable consumption patterns, strengthen household welfare, and promote inclusive economic growth.

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