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# Consumption Dynamics in rural Nigeria: The Experience of Bayelsa State

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**ABSTRACT**
This study was conducted in rural Nigeria to establish the determinants of consumption among rural dwellers. Due to absence of national data on the subject, the survey method was adopted. Based on the reviewed literature and questionnaire, some variables were identified as determinants of consumption in rural Nigeria. Primary data were collected through structured questionnaire that was administered randomly to 5000 selected respondents from rural Bayelsa State, Nigeria. The data were analyzed and grouped into seven variables to test two hypotheses. The results showed that current income, expected future income, bank savings, investment in shares, pension fund returns and durable assets were significant determinasnts of consumption. We therefore suggest that government should reinforce financial inclusion so as enhance saving habit in rural Nigeria especially Bayelesa State. Drawing our inference from the life cycle hypothesis, the working population in rural Nigeria, need to invest their idle funds in equities and key into the new pension scheme in order to maintain a steady stream of income both now and in the future. Rural dweller should also be discouraged from increasing their consumption arbitrarily so that they can channel these excess consumption funds into savings or investment that would yield returns.
**Keywords:** Consumption, Rural dwellers, Clans, Atissa, Epie, Bayelsa State
**Disclaimer:** The views expressed in this paper, however, are those of the author and do not in any way represent the views or thinking of the Central Bank of Nigeria

## I. Introduction

Consumption is the conglomeration of demand for all consumer goods and services (Geetha, 2011; Obafemi, et al, 2009; Iyoha, 2001). Thus, consumption is the spending or expenditure by households on goods and services (i.e. clothing, food items, entertainment, health services and acquisition of assets, etc). This implies that consumption reveals the dynamic relationship between consumption and disposable income. This position is in consonance with Keynes, (1936), psychological law which states that men tend to increase their consumption on the average as their income increases, but this increase is not in proportion to the increase in one's income. Keynes law is referred to as the absolute income hypothesis. However, further investigation into the dynamics of consumption expenditures have shown that consumption expenditures are determined by many other factors aside income. Geetha, (2011), Terence, et al, (2010) and Walsh (2010), etc have identified interest rate, relative prices, capital gains, wealth, liquid assets, attitude and expectation and availability of consumer credit as determinants of consumption expenditure. Consumption is a major component of aggregate demand. A little disturbance in this component will have a far reaching effect on the nations aggregate demand performance.

This study will focus on the consumption patterns in the rural economy with a case study on Atissa and Epie, Bayelsa State which is composed of twenty–nine communities. Twelve of these communities are semi-urban towns while seventeen rural communities (Yenagoa, Ovom, Onopa, Amarata, Yenezue-Gene, Kpansia, Yenezue-Epie, Biogbolo, Opolo, Okutukutu Ekeki, Okaka, Akaba, Ogu, Agbura, Ikolo, Famgbe, Obogoro, Yenaka, Yenebebile, Swali, Azikoro, Etegwe, Edepie, Akenpie, Agudama-Epie, Akenfa, Yenegwe and Igbogene). The major occupation of the people is mostly farming, fishing, petty trading as well as some civil servants. However, the semi-rural communities constitute the linear settlement along the State capital Yenagoa. These communities are characterized by presence of animals, underdevelopment, people living below one dollar per day, low per capita income, the near or total absence of basic social amenities such as electricity, pipe borne water, good roads, recreation centers and poor infrastructure. Nigeria has a population of 163 million (i.e. 82 million rural and 80 million urban) while the study are has a population of 1.7 million people, the rural and urban population is put at 1000 million and seven hundred respectively. The area also has a landmass of 10sq Km and growth rate of 2.92 percent (NPC, 2011)

Literatures on the determinants of consumption have focused mainly on aggregate national consumption without clear demarcation between consumption of urban and rural dwellers. In Nigeria, a high percentage of the

 

population resides in the rural areas. A country cannot be adjudged developed without significant improvement in the standard of living of the rural dwellers. Given the importance of rural areas in a nation's development and the significance of consumption as a major component of total aggregate demand, this paper seeks to empirically determine consumption expenditures among rural dwellers in Bayelsa State, within the confines of Atissa and Epie ethnic nationalities, in the Yenagoa Local Government Area. The paper holds sway to the pattern of consumption and the applicability of the permanent income hypothesis in the rural areas.

The identification of the determinants of consumption will assist policy makers in improving the living standard of the rural dwellers. Hence, there is need to show the relationship between consumption, aggregate demand and some macroeconomic variables such as savings, investment and income. Aggregate demand is the quantity of goods and services demanded in an economy at a given price level. In effect, the aggregate demand curve is just like any other demand curve, but for the sum total of all goods and services in an economy. It shows the total amount that all consumers, businesses, and the government are willing to spend on goods and services at different price levels. An increase in consumption would lead to an increase in aggregate demand and this would in turn translate to increase in production and the growth of the economy. Similarly, income (Y) is a function of consumption (C) and savings (S). It is also a function of consumption (C) and investment (I). These can be written mathematically thus:

$$Y = C + S \qquad (1)$$

$$Y = C + I \qquad (2)$$

Subtracting equation (2) from (1) we have

$$S = I \qquad (3)$$

Equation (1) and (2) shows that as consumption increases, savings and investment will decrease but if consumption decreases, savings will rise and thus investment. And this will lead to higher yield on returns on investment and thus income that can be plowed into consumption, savings or investment while equation (3) indicates the equilibrium point in a Keynesian model theoretically.

Also from equation (1), (2) and (3), one can deduce a framework for rural economy because rural economy is composed of farmers, fishermen, petty traders and some civil servants. These groups of people have their consumption function as food, shelter, clothing and working tools as well as child education, exigencies and luxuries for the civil servants. Therefore, as income increases, consumption increases for economic activities (business) in the rural economies to blossoms or bolsters. However, situation might arise where income increases while consumption remained unchanged (constant). This will lead to increase in savings and thus investment. This in turn will result in increased financial intermediation. In this circumstance, there is need to use financial institutions and instruments to mobilize these funds not spent on consumption for savings (Audu, 2012; Obafemi et al., 2009; Iyoha, 2007).

## II. Empirical Literature

There have been various conceptual frameworks as regards the determinants of consumption expenditures. Limbagoud, (2012), Obafemi et al., (2009), Iyoha, (2007) and Okowa, (1995) observed that Keynes (1936) postulated the absolute income hypothesis. The law states that current consumption expenditures is a function of current disposable income and that as income increases, consumption expenditure increases but at a decreasing rate. Keynes opined that the marginal propensity to consume (MPC) is less than the average propensity to consume and that average propensity to consume falls as income increases. Keynes (1936) proposition can thus be summarized as follows: (i). The marginal propensity to consume (MPC) is positive but less than one (ii). The average propensity to consume (APC) falls as income increases. Therefore, the inadequacy of Keynes hypothesis led to more investigation on the determinants of consumption expenditures.

Duesenberry, (1949) developed the relative income hypothesis. The hypothesis states that the APC of a family depends on the family's level of income relative to the income of the neighborhood with which he identifies. The idea is that a family with any given level of income spends more on consumption if it lives in a community in which the income is relatively high. This is probably due to pressure on the family to keep up with other families in the environment. Hence, consumption is a function of the income of the individual and the average income of

the group he belongs. Moreover, Duesenberry, (1949) argued that current consumption depends not only on current income but also on the history of income. More often than not, individuals build up consumption standard that is geared towards their peak income level. When therefore income declines, the attained consumption standard will not be immediately sacrificed. This is called the 'ratchet effect' phenomenon and is based on two facts. (i) Individual's consumption behaviour is not independent of the behaviour of every other individual (ii) Consumption relations are irreversible over time.

The relative income hypothesis postulates that one's consumption behaviour is influenced by that of his neighbour and his environment. Milton, (1957) propounded the permanent income hypothesis which says that consumption is a function of permanent income rather than current disposable income. The permanent income is the income an individual is expected to receive over a long period of time. Milton, (1957) believes that transitory income or temporary unexpected income does not affect consumption. In a similar vein, Ando and Modigliani, (1963) postulated the life cycle hypothesis that individuals plan their consumption and savings over a long period of time that is over their entire life time. In this case, all resources available to the consumer are relevant to consumption decision. The consumer allocates his income so as to maximize satisfaction over his life time while saving is to enable him to secure the most desirable level of consumption in old age. The broad objective of this hypothesis is that consumption is a function of life time expected income of consumers. Consumption depends on the resources available to the consumer, the rate of return on capital, the spending plan and the age at which the plan is made. For simplicity, the hypothesis is built on the assumption that price is constant, interest rate is stable and that the consumer does not inherit any asset and that his net assets are the result of his own savings.

Ando and Modigliani, (1963) observed that the consumer's life time can be split into three periods, thus: (a) The young age when little or no income is earned; (b) A relatively long periods or years of working life when income tends to rise with experience and seniority in the place of work; (c) The period between retirement and death when income drops to near zero. The Ando and Modigliani, (1963) theory was criticized on the basis of the underlying assumption. However, in real life commodity prices and interest rates are not stable; as such the issue of property inheritance is an acceptable norm in almost all capitalist economies. Caglayan, (2012), Smith, (2010), Aron, et al., (2006), Attanasio, et al., (2005), Andre, et al. (2004), Souleles (2004) and Hall, (2001) in their separate studies have identified several variables as determinants of consumption, some of which are: savings, unanticipated shocks, and attitude of consumers and presence of liquidity constraints as important determinants of consumption. Iyoha, (2001) opined consumption as a function of disposable income and lagged value of income while Audu, (2012) showed positive correlation between fiscal policy and consumer's spending. He held that financial exclusion is responsible for the high rate of consumer's spending in Nigeria. The latter two studies are Nigerian specific cases.

All these studies identified above did not emphasize the determinants and pattern of consumption in the rural areas. Hence this paper aims at bridging this gap by examining the dynamic relationship and the pattern of consumption in the rural setting such as the Atissa and Epie, Yenagoa Local Government of Bayelsa State.

## III. STUDY AREA, DATA AND METHOD

### III.1. Study area

This study was conducted in rural Nigeria, Bayelsa State which is one of the thirty-six states in Nigeria created in 1996. The study area Atissa and Epie is bounded on the North by Biseni and Engene Clans of Bayelsa and Rivers States respectively. It is bounded on the South by Kolokuma and Ogboin Clans, East by Gbarain and Ekpetiama Clans and West by Anyama Clan all in Bayelsa State. The area covers about thirty-five square kilometres. The topography of the area is the tropical rain forest. By the 2006 population census, the population was estimated at 1.7 million. The area is made up of twelve semi-urban towns and seventeen rural communities. The semi-urban towns include Yenagoa, Ovom, Onopa, Amarata, Yenezue-Gene, Kpansia, Yenezue-Epie, Biogbolo, Opolo, Okutukutu Ekeki, Okaka while the rural communities are Akaba, Ogu, Agbura, Ikolo, Famgbe, Obogoro, Yenaka, Yenebebile, Swali, Azikoro, Etegwe, Edepie, Akenpie, Agudama-Epie, Akenfa, Yenegwe and Igbogene. The area is blessed with mineral resources such as crude oil and natural gas. The main occupation of the people in the area is fishing and farming, while majority of them are civil servants and traders.

The available national income statistics in Nigeria is not broken down into States and local governments in respect to consumption. Hence, this paper adopted the survey method to elicit vital variables or data that are required for the study. Therefore, in determining the sampling technique to use for this study, the author

considered the technical nature of the investigation which requires responses from respondents on the subject with good and related knowledge of the subject matter. To achieve this, stratified random sampling was used to ensure diversification of opinion. Communities in each Clan were stratified according to size and a sample of 50% was randomly selected from each ethnic nationality. It is my hope that the selected sample size would be statistically significant for inferential purposes for the State. Therefore, stratified random sampling technique guarantees representation of a defined group (e.g. communities) that are of particular interest in the sample size. A sample of 5800 was drawn, 200 per stratum (community).

III.2. Instrumentation and data collection procedure

To collect the primary data, a carefully structured questionnaire was designed and administered by trained and experienced research assistants. The questionnaire were distributed to as many people as possible, including Paramount rulers, Chiefs, community development committee (CDC) members, Youths, Elders, Student's, opinion leaders, women groups and cooperative societies, etc. The responses were collected from the respondents through research assistants within three months. The measuring instrument used by the researcher for this investigation was a four–point Likert–type questionnaire. The questionnaire was divided into two sections. Section 'A', had to do with the respondents' personal information, while Section 'B' was a twenty (20) item four–point Likert–type questionnaire to measure the determinants of consumption among rural dwellers in Bayelsa State, Nigeria. The instrument was developed by firstly, making list of phrases and words that are possible indicators of each variables involved in the study. Each response was given a degree of score, which ranged between 1 and 4 as shown below.

| | | |
|---|---|---|
| Strongly agreed | **SA** | 4 |
| Agreed | **A** | 3 |
| Disagreed | **DA** | 2 |
| Strongly disagreed | **SDA** | 1 |

III.3. Data analysis

The data was analyzed using qualitative and quantitative techniques. The major segment of the information collected during the survey was qualitative and may not be easily quantified. A quantitative technique was employed to measure ethnographic tenets of the sample. Descriptive statistics such as frequency, percentage, mean, standard deviation, proportion, etc was employed in this study in summarizing trends, change and comparisons across certain features. The primary data was analyzed with relevant statistical tools such as the chi–square method, analysis of variance to test for the differences in the behaviour of different institutions such as banks, ministries and small and medium scale enterprises toward policy changes. Factor analysis was undertaken to identify policy issues in information diffusion. The final presentation, takes the form of description, tabulation and illustration. Essentially, the SPSS 21 statistical software was employed for processing and analyzing the data collected. A simple comparison was done to answer some research questions while the chi–square ($x^2$) test was used to test the hypotheses.

The basic formula for chi–square used in this study is $$\chi^2_{k-1} = \sum_{i=1}^{K} \frac{(O_f - E_f)}{E_f} \qquad (1)$$

where $x^2$ = Chi-square statistics, $\sum$ = summation sign, $O_f$ = Observed frequency of the $i^{th}$ cell, $E_f$ = Expected frequency of the $i^{th}$ cell. K=Total number of cell, K – 1=Degree of freedom

The degree of freedom for chi-square is computed as DF = (R – 1)(C –1)

where: DF = Degree of freedom, R = Row and C = Column

 

III.4. Decision Rule

The chi–square ($x^2$) test represents the difference between the given frequencies and the expected frequencies obtained. If for instance the calculated value of chi–square ($x^2$) is greater than the tabulated value, there is an association between the variables being measured, thus, confirming the alternative hypothesis. But if the calculated value of chi–square ($x^2$) is less than the tabulated value, there is no association between the variables in the hypothesis thus, rejecting the null hypothesis. The rejection of the null hypothesis means the acceptance of the alternative hypothesis. We set our probability value at the 5% level of significance.

III.5. Assumptions
The guiding assumptions were that:

1. Current income, future expected income, pension fund yield or return, bank savings, durable assets and investment in shares were steady sources of income for the people.

2. Respondents have adequate knowledge of the topic under consideration.

3. Consumption pattern in Bayelsa State is adequate.

4. Farmers, firshermen and traders in the State are enlightened.

5. Population from which the samples were drawn was normally distributed.

6. Instrument for data collection was valid and reliable.

From the reviewed literature and questionnaire used for this study, the following variables where identified as determinants of consumption in rural Nigeria, Bayelsa State. These identified variables (current income, future expected income, bank savings, investment in shares, pension fund yield and durable assets) was used to test the two hypotheses, from where inference(s) would be drawn. The variables are as defined: Current income is composed of money at hand; future expected income is made up of sales of land, hires, gift and rent; Banking savings includes salary, income from trade and investment; investment in shares encompasses purchases of shares in oil companies, etc; pension fund yield is composed of pension fund savings and durable assets equals land, building, cooking pots, bus, bicycle, motorcycle and pickup van.

## IV. EMPIRICAL RESULTS AND IMPLICATIONS

Questionnaire distribution

Table 1, shows that out of the five thousand eight hundred questionnaires distributed, 5000 questionnaires representing 86.2 percent where retrieved while 800 questionnaires representing 13.8 percent where not retrieved. Therefore, for the remainder of this study the five thousand questionnaires retrieved would constitute the sample size.

Table 1: Questionnaire distribution

| Sex | Atissa Clan | Epie Clan | Total | % |
|---|---|---|---|---|
| **Retrieved** | 2300 | 2700 | 5000 | 86.2 |
| **Not retrieved** | 300 | 500 | 800 | 13.8 |
| **Total** | **2600** | **3200** | **5800** | **100** |

Source: Authors' calculation based on survey responses

Gender composition

Table 2, shows the gender composition of the respondents in section. Respondents in the male category were 2300 (46%) while respondents of those who were female were 2700 (54%).

 

The pattern of responses in Table 3 suggests that 795 (15.97%) respondents were below 20 years of age. Meanwhile 1020 respondents representing 20.4% were aged 21 – 30 years. The results also show that 1065 respondents or 21.3% were aged 31 – 40. Also, 1230 or 24.6% were between 41 – 50 years while the remaining 890 respondents or 17.8% were over 50 years old.

Table 2: Distribution of respondents by sex

| Sex | Atissa Clan | Epie Clan | Total | % |
|---|---|---|---|---|
| **Male** | 1000 | 1300 | 2300 | 46 |
| **Female** | 1300 | 1400 | 2700 | 54 |
| **Total** | **2300** | **2700** | **5000** | **100** |

Source: Authors' calculation based on survey responses

We assumed that much of the consumption would be found between the age brackets of 21 – 50 years. However, we did not intend to relate one's age with any question of importance in the research instrument. Therefore, we did not make attempt to draw equal number of respondents from each age category that they were divided into and this will apply to the entire paper.

Age composition

Table 3: Age composition of respondents

| Age | Atissa Clan | Epie Clan | Total | % |
|---|---|---|---|---|
| **Below 20** | 400 | 395 | 795 | 15.9 |
| **21 – 30** | 520 | 500 | 1020 | 20.4 |
| **31 – 40** | 460 | 605 | 1065 | 21.3 |
| **41 – 50** | 560 | 670 | 1230 | 24.6 |
| **Above 51** | 360 | 530 | 890 | 17.8 |
| **Total** | **2300** | **2700** | **5000** | **100** |

Source: Authors' calculation based on survey responses

Marital status

The marital status of the respondents was also summarized and presented in Table 4; 1400 (28%) of the sample were single, 1500 (30%) were married, 1100 (22%) were widows while the 1000 (20%) of the respondents that were not single, married or widowed were classified as either others.

This distribution fairly spread across the two clans under consideration. Also, Table 4 reveals that the Epie clan had the highest number of single and married self-employed, civil servants, farmers and fishermen, petty traders, etc.

 

Table 4: Marital composition of respondents

| Age | Atissa Clan | Epie Clan | Total | % |
|---|---|---|---|---|
| **Single** | 650 | 750 | 1400 | 28 |
| **Married** | 700 | 800 | 1500 | 30 |
| **Widows** | 500 | 600 | 1100 | 22 |
| **Others** | 450 | 550 | 1000 | 20 |
| **Total** | **2300** | **2700** | **5000** | **100** |

Source: Authors' calculation based on survey responses

Table 5 shows that 730 (14.6%) respondents were petty traders; the respondents that represent farmers were 1280 (25.6 percent); 1155 respondent or 23.1% were fishermen. 1380 respondents 7.6 were civil servants while only 455 (9.1%) respondents of the sample constitutes others.

Occupation of respondents

Table 5: Occupation of respondents

| Occupation | Atissa Clan | Epie Clan | Total | % |
|---|---|---|---|---|
| **Petty trading** | 280 | 450 | 730 | 14.6 |
| **Farming** | 620 | 660 | 1280 | 25.6 |
| **Fishing** | 540 | 615 | 1155 | 23.1 |
| **Civil servants** | 660 | 720 | 1380 | 27.6 |
| **Others** | 200 | 255 | 455 | 9.1 |
| **Total** | **2300** | **2700** | **5000** | **100** |

Source: Authors' calculation based on survey responses

Educational level of respondents

The result on Table 6 is quite robust and revealing. The result shows that 16.4% (860) respondents had no formal education. Out of this population, 360 (7.2%) were from rural while 460 (9.2%) are from sub–urban towns. 630 and 640 respondent of the population, representing 12.6% and 12.8% are from rural and semi–urban towns respectively which constitute 1270 or 25.4 percent of the overall sample that had primary education while 1210 (24.2%) of the sample attended secondary school – 610 or 12.2% and 600 or 12.0% are from rural and sub–urban towns respectively.

 

Table 6: Composition of respondents by educational

| Educational level | Rural | Percent | Sub–urban | Percent | Total | % |
|---|---|---|---|---|---|---|
| **No formal education** | 770 | 7.2 | 850 | 9.2 | 820 | 16.4 |
| **Primary** | 551 | 12.6 | 490 | 12.8 | 1270 | 25.4 |
| **Secondary** | 404 | 12.2 | 400 | 12.0 | 1210 | 24.2 |
| **Tertiary** | 350 | 14.0 | 510 | 10.0 | 1300 | 24.0 |
| **Others** | 215 | 4.8 | 425 | 5.2 | 500 | 10.0 |
| **Total** | **2300** | **50.8** | **2700** | **49.2** | **5000** | **100** |

Source: Authors' calculation based on survey responses

Also, 1300 respondents representing 24.0% of the population attended or completed tertiary institution (700 or 14.0% are rural while 500 or 10.00% are semi–urban. Lastly, the remaining 500 (4.8%) constitute others which have 240 people or 4.8 percent from rural communities and 260 respondents or 5.2 percent from semi–urban towns.

The dependent variable in this hypothesis is total consumption of $n^{th}$ respondent (TCR) while the explanatory variable is current income and future expected income as shown in Table 7. The statistical analysis used in testing the hypothesis was the chi–square test. The results of the analysis as presented in Table 7 reveals that the chi-square value of 18.803 was greater than the critical value $X^2$ of 0.352 at 5% level of significance with 3 degrees of freedom. This means that the $X^2$ –value was statistically significant. This implies that current income and future expected income significantly influenced the total consumption pattern. Therefore, we conclude that these two variables significantly influence the total consumption pattern of the people of Atissa and Epie clans.

Table 7: Chi–square statistical analysis of the impact of current income and future expected income on total consumption in Bayelsa State.

| Responses | Atissa and Epie Clans | | Total | df | Calculated value | Critical $x^2$ |
|---|---|---|---|---|---|---|
| | Current Income | Future Expected Income | | | | |
| **SA** | 800 (800) | 800 (800) | **1600** | | | |
| **A** | 600 (650) | 600 (650) | **1300** | 3 | $x^2$=18.803 | 3.33 |
| **DA** | 600 (600) | 600 (600) | **1200** | 3 | LR = 18.834 | 3.33 |
| **SDA** | 500 (450) | 400 (450) | **900** | 1 | L LA = 6.565 | 0.003 |
| **Total** | **2500** | **2500** | **5000** | | | |

Note: (i) Significance level 0.05 (ii) LR = Likelihood ratio (iii) LLA = Linear by Linear Association.
Source: Authors' computation based on survey responses using SPSS 21

 

Table 8: Chi–square statistical analysis of bank savings and investment in shares, etc have not impacted on their total consumption and social status on total consumption in Bayelsa State.

| Responses | Atissa and Epie Clans | | | | Total | df | Calculated value | Critical $x^2$ |
|---|---|---|---|---|---|---|---|---|
| | Bank saving | Investment in shares | Pension fund yield | Durable assets | | | | |
| **SDA** | 350 (280.8) | 170 (208) | 320 (281) | 200 (270.2) | **1040** | | | |
| **DA** | 250 (320.5) | 290 (237.4) | 337 (320.7) | 310 (308.4) | **1187** | 3 | $x^2$=89.699 | 3.33 |
| **A** | 338 (354) | 260 (262.2) | 344 (354.2) | 369 (340.6) | **1311** | 3 | LR = 91.007 | 3.33 |
| **SA** | 412 (394.7) | 280 (292.4) | 350 (395) | 420 (379.8) | **1462** | 1 | L LA = 8.990 | 0.003 |
| **Total** | **1350** | **1000** | **1351** | **1299** | **5000** | | | |

Note: (i) Significance level 0.05 (ii) LR = Likelihood ratio (iii) LLA = Linear by Linear Association.
Source: Authors' computation based on survey responses using SPSS

The dependent variable in this hypothesis is total consumption while the explanatory variables are bank savings, investment in shares, pension fund yield and durable assets as shown in Table 8. The statistical technique employed in testing the hypothesis is the chi–square statistical analysis. The results of the analysis as shown in Table 8 suggested that the chi-square value of 89.699 significantly exceeded the critical value of 3.33. This means that the selected explanatory variables of rural dwellers in the study area significantly influenced the total consumption of the sampled population. As such, the variables increases the total consumption of rural populace used in the study.

**IV.1. Implication of the findings.**

The paper attempts to empirically evaluate the dynamics of consumption among rural dwellers in rural Nigeria, Bayelsa State. This was conducted by employing the chi–square estimation method in our analysis and the findings from the results with respect to the two hypotheses tested were robust. The result is robust and revealing, as it points to the fact that current income, future expected income, bank savings, investment in shares, pension fund yield and durable assets (i.e. the explanatory variables) impacted significantly on total consumption in Bayelsa State. The robustness of all these variables points to the fact that consumption in the State is based on taste, preference and expectation. However, income (Y) is not equal to consumption (C) $[Y \neq C]$ as such there are always idle funds in the hands of individual(s) for consumption spending. Therefore, these variables should be taken seriously by government in policy formulation and implementation.

Current income: The result in Table 7 indicates that as money at hand increases, people are forced or tempted to spend it on consumption to maintain status quo or improve upon his current status thus leading to an increase in their consumption pattern. This is affirmed by the $X^2$, LR and LLA values of 118.80, 18.83 and 6.56 respectively. This is in tandem with the absolute income hypothesis and the relative income hypothesis of Keynes (1936), Duesenberry (1949) respectively.

Future expected income: The result in Table 7 suggests that income received from sales of land, gifts as well as rent constitute the chunk of future expected income available to the people to put into consumption. This is in conformity with the empirical result in Table 7, since the calculated values of: $X^2$, LR and LLA respectively are greater than their critical values and the permanent income hypothesis which held that income of an individual is a function of future expected income over a period of time.

Pension fund yield: The result shows that pension fund yield is saving over ones active working years' (i.e. in government). Therefore, individual uses all resources at his disposal when making consumption decisions and this is in consonance with the life cycle hypothesis and also confirmed by all the calculated value as shown in Table 8.

Bank savings: Apart from civil servants that use banks, idle fund from rent, sales of land, etc may be ploughed into banks savings. This is in conformity with theoretical framework of permanent income and life cycle hypotheses as well as the result presented in Table 8.

Investment in shares: Civil servants invest in shares in oil companies because it is common in their locality and as a result of its high yield or return on investment in them as shown in Table 8. This serves as a source of funds which they can withdraw and put into petty trading or other exigencies. This is in tandem with life cycle hypothesis which opined that consumption is a function of available resources to the consumer, the rate of return on capital, his spending plan as well as the age at which the plan is made.

Durable assets: These assets are put into rentage which serve as a source of income (hot money) for the people to spend. Hence, it is a major source of income in the area as it makes funds available to the people at all times thus leading to increase in their consumption as shown by the result in Table 8. This is in line with life cycle hypothesis with the assumption that price is constant, interest rate is stable and consumers' does not inherit any asset but that his net assets are as a result of his own savings.

## V. CONCLUSION/POLICY RECOMMENDATIONS

The paper investigated the determinants of consumption in twenty-nine communities rural Nigeria, Bayelsa State. The study made use of six explanatory variables of current income, expected future income, expected pension fund returns, deposits in banks or bank savings, investment in shares and durable assets in determining the consumption pattern of sub-urban and rural dwellers in the State. The result shows that all the selected variables significantly influenced consumption and are thus are good determinants of consumption in Bayelsa State.

We recommend that Bayelsa State government should carry out enlightenment campaign in rural communities on the need for Bayelsans to invest their funds in share; there is also need to enforce savings culture to improve investment capital State by reinforce financial exclusion so as to discourage current consumption and create saving habit. Civil servants in the State government should be enlightened on the need to invest their funds in shares and key into the new pension scheme in order to maintain a steady stream of income both now and in the future. People should also cultivate the habit of keeping their funds in banks for safety and to smoothing their consumption now and in the future. Furthermore, since increased economic activity due to farming lead to increase in consumption, government should make laws to redress ownership structure of land in the area. Also, rural dwellers in the State should be discouraged from increasing their consumption arbitrarily so that they can channel these excess incomes (idle funds) into savings that will yield returns. To realize this, the State government should partner with the Central Bank of Nigeria to: (a). Establish banks in rural areas to reduce financial exclusion and increase financial intermediation. (b). Encourage commercial banks in the country to pay commensurate and competitive interest rate on savings to enable informal funds amongst rural dwellers to flow into the banking sector.

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