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Effect Of Economic Recession On Consumers' Buying Behaviour In Ogun State, Nigeria

Adegbite Ganiu Adewale[1], Akiremi Babatunde,[2] Sabitu Owotutu[3]
[1]*Marketing Department, Ogun State Istitute of Technology, Igbesa.*
[2]*Marketing Department, Ogun State Istitute of Technology, Igbesa.*
[3]*Business Adminitration, Ogun State Istitute of Technology, Igbesa.*
Corresponding Author: Adegbite Ganiu Adewale

Abstract : *The research problem is effect of economic recession's indicators on consumers' buying behavior. This study is an empirical research conducted at Agbara/Industrial Area of Ogun State, Nigeria. The objective of the study are to examine significant effect of economic recession's indices on consumer buying decisions, two research hypotheses are formulated and tested. Descriptive survey research was used with 205 respondents as sample size. The same number of questionnaires were administered and returned (100% rate of return). Simple regression analysis and Anova statistical instruments were adopted to test hypotheses. Some of the research findings are that individual disposable income has a strong positive effect on inflation has significant effect on the consumer buying behaviour. The researcher recommended that government at all levels should be more concerned about the economic situations of the country and to formulate policies that reduce the hardship of economic recession on consumers. More so, the private business owners should adopt pricing policies that enhance consumers' purchasing power.*

Keyword: *Economic recession, consumers' buying behaviours.*

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I. Introduction

The economic recession has been a global economic challenge in the past few years. It is an economic situation where there is general business decline or meltdown which is characterised with low disposable income, inflation, high prices of goods and services, low propensity to save entangled with low investment.

During this period, gross domestic product (GDD) of a country is negatively affected. Hence, individual average standard of living is drastically reduced.

In the same vein, consumer buying behaviour during the economic recession becomes a complex as a result f shortage of financial resource to meet all consumers' needs. Consumers are more rational in their buying decisions during this period and always prefer to spend their hard earned money on basic goods than luxury goods. Valoskowa & Klielstile (2015) stated that when a particular economy is booming, there is always increase in the consumption of luxury goods and consumer durables, and during the economic meltdown, disposable income is declined and consumption confidence usually reduces. Stefora (2010) opined that many consumers their expenses during turbulent economic environment and continue to do so until they will be able to experience stability regarding their finances.

Saurabli & Devika (2013) observed that during recession, there is general rise in prices of food items and basic necessities of life due to inflation, unemployment, and how GDP creates a pre-recessionary, situation which gradually affect the consumer buying decisions.

During economic recession, all product categories are not equally affected (Saurabli & Devika, 2013). The demand for necessity goods not much affected by the demand for luxury goods is drastically reduced. Consumers are more rational in their purchasing decisions during recession, they most times continue to buy familiar product brands that satisfy their needs. They avoid trying new brands, as a result, marketers find it difficult to position their new brands during a recession. Hence, the sales target for a particular product will not be achieved. Consequently, profit will be negatively affected.

1.1 Research Hypotheses

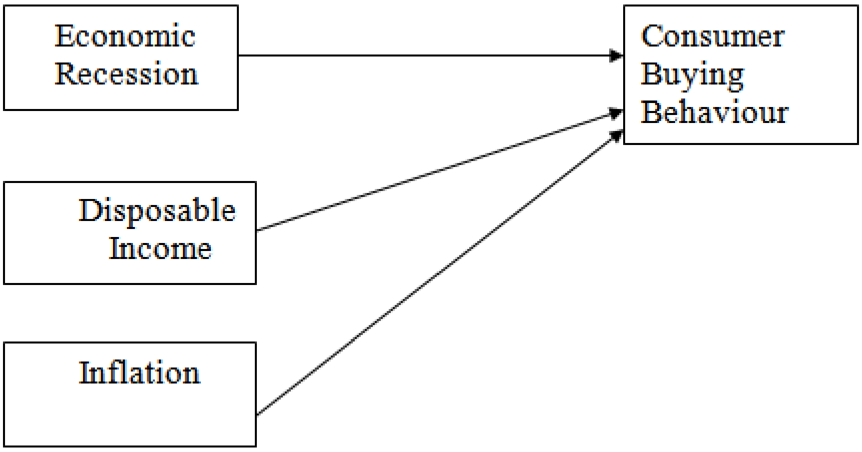
The following research hypotheses are formulated for the research study:
Ho1: There is no significant effect of individual disposable income on consumers' buying behaviour.
Ho2: There is no significant effect of inflationary level on consumers buying behaviour.

Conceptual Framework

To investigate research problem, researcher conceptualized the variables (Dependent and Independent Variables) with their composites that make up research problem. Ths is represented diagrammatically.

1.2 Conceptual Framework

Fig I:



Source: Researcher's Conceptualized Variables, November 2017

II. Literature Review

2.1 Concept of Consumer Behaviour and Consumer Buying Decision Model

Dura (2011) stated that consumer behaviour is the study of the process which individuals, groups, or organsiations carryout to acquire, use, dispose products that satisfy their needs. while Zuruwicki & Braidt (2005) opined that consumer buying behaviour is taken as a complex study, simply because it has a wide set of prior and after purchase activities. On daily basis, each of us make different, diverse and numerous decisions about every aspect of product acquisition raging from what type of product to buy and where to buy the product (Adeyanju & Adetunji, 2015).

The buying process consists of five stages, problem recognition or motivation. This problem can be aroused by two major stimuli (internal or external stimulus). The next stage is the information search, which involves the gathering of all possible information that can help in solving the already recognised problem. This search efforts can take any of these twol following form: Heightened attention or Active Information Search. There are various sources of information available to consumers when making buying decisions. These sources are experimental source which refers to the information gathered through the recollection of past experiences or drawn from storage in long-term memory. Another one is Informal sources. These are direct and verbal information gathered from non-formal sources like individuals based on their personal experiences. The last source is commercial sources. These entail advertising; direct marketing activities, personal selling, other promotional activities, mass media, internet among others. All these sources portray the benefits of the product to the consumers (Nawaz, Mohib & Asa, 2012). The next stage is the evaluation of alternatives. This is the third in the five stages of consumer decision model. It involves a thorough analysis of the information collected at the second stage, about all the product categories and brands. Having evaluated alternatives, consumer will now make a choice. That is, taking purchasing decision in favour of most preferred brand. The last stage is the poor purchase evaluation Lelia & Alin (2011) stated that the main changes in the new consumer behaviour as a result of recession could be these following; Desire for simplicity, Smart consumption, Green consumerism, Temperance and Ethical consumerism.

Masarrat, Ghazal, Tha & Suchitz (2015) agreed with other researchers that the global recession present changing patterns in consumers buying decisions and marketers should adopt appropriate strategies to facilitate positive buying decisions.

2.2. Economic Recession

Economic recession is an economic situation where there is a general reduction or decline in GDP of a country for a period of less than a year (Elemons, 2008).

If this situation persists for longer period, it becomes a depression. Recession starts when there is slow positive growth in the GDP, as it continues, it becomes negative growth in the GDP. Saurabh & Devika (2013) clamed that economic recession cannot be avoided because it forms parts of economic cycle. Even in a booming

economy, there are high growths, slow growth, no growth. At the point of no growth, economic recession emerges. There are several theories on recessions, none has given a specific answer to causes of economic recession. However, these following are some of the features of economic recession of a given economy or on a global economy:
i. Low disposable income ii. High rate of unemployment iii. Inflation
iv. Value of local currency going down v. Rise in oil price vi. Housing bubble

All these aforementioned features obviously present in Nigeria economy. It is no doubt that there is economy recession in Nigeria which affects all sectors of the economy. Presently, the oil prices are not stable and discriminatory prices are being charged by the filling stations (both independent marketers and Major Marketers).

2.3 Theoretical Literature

The study of consumer behavior is supported with underlying theories:
i. The theory of reasoned Action (TRA): This theory established that person's behaviour is determined by its behavioural intention to perform it. This intention is itself determined by the person's attitudes and his subjective norms towards the behaviour.
ii. The theory of planned behavior (TPB): This theory was intended to explain all behaviours over which people have the ability to exert self-control. The key components to this model is behavioural intent; behavioural intentions are influenced by the likelihood that the behaviour will have the expended outcome and subjective evaluation of the risks and benefits of that outcome.
iii. The hierarchy of effect theory

Out of the above consumer behaviour theories, the one that suitably underpin the research study is the hierarchy of effect theory because it is the only one that best describes the consumer decision making process. The theory beliefs that consumers go through a series of psychological stages before making a purchase decision and focus on learning, knowledge acquire through available information and process such from external world. (Clemons,2008).

The hierarchy of effect (HOE) theory starts with the state where a consumer has no knowledge about the brand. Through the information search, the consumer comes in contact with advertising message or word of mouth which passes information about the brand. This is the basis for the brand knowledge and many eventually lead to liking or disliking of the product brand. If the consumer forms positive opinion towards the brand, a preference of brand relative to other brand preference, consumer needs to be convinced (i.e. conviction) in order to make a purchase. These stages are in sequence and every stage must be carefully monitored and followed up.

III. Methodology

The research chosen for this study is descriptive survey research method conducted at Agbara Industrial Area of Ogun State. Stratified sample random sampling techniques were used to determine a sample size of 205 respondents. The strata are staff of private companies at Agbara Industrial Area and self employed people from the same region. The same number of 205 questionnaires were administered with the assistance of 2 questionnaire administrators and there was 100% rate of return.

The test-re-test reliability was used to easure the reliability of the questionnaires used to collect data for the study. The same measuring instrument was used to take two separate measurements on the sample at different times to know the reliability of the measuring instrument. The result of the test was 0.70 (70%) which meant that there is high correlation between the two measurements taken. Hence, the liability of the instrument is high.

Sample regression and Analysis of Variance (ANOVA) through the use of SPSS editor were adopted to test the hypotheses formulated for the study.

IV. Results and Discussion

HO1: There is no significant effect of individual disposable income on consumers' buying behaviour.
At 0.05, level of significance this analysis was carried out.

Table 1

Model	R	R Square	Adjusted Square	Std. Error of the Estimate
1	.771[a]	.594	.601	.02617

a. Predictors: (Constant), Individual disposable Income

From the result in table above, (i) adjusted R square (0.601) has moderate fit. This reveals that the constructed simple regression model of the independent variables (individual disposable income) account for approximately 60% variance in the dependent variable (consumers' buying behaviour). Adjusted R Square and standard error of the estimate talk about the performance of model, however, standard error of the estimate 0.02617 showed that the model is reliable because is very close to zero. (ii) The correlation coefficient (r=0.771) indicated a strong positive association between individual disposable income buying behaviour. The results on the Analysis of variance (ANOVA) for the model are shown in Table 2.

Table 2

ANOVA[b]

Model	Sum of Square	Df	Mean Square	F	Sig.
1 Regression	.962	1	.962	18.797	.000[a]
Residual	2.200	43	.051		
Total	3.161	44			

a. Predictors: (Constant), Individual disposable Income
b. Dependent Variable: Consumers' buying behaviour

The results of the analysis of variance (ANOVA), F (df 1, 43 = 18.797, P < 0.05), indicated a statistically significant impact of individual disposable income on the consumers' buying behaviour. Based on this significant relationship, the coefficient for the Beta weight for the amount of standard deviation unit of change in the dependent variable was calculated. The results are as shown in table 3 below.

Table 3

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig
	B	Std, Error	Beta		
1 (Constant)	.529	.078		4.461	.000
Individual disposable Income	210	. 210	.552	4.336	.000

a. Dependent Variable: Consumers' buying behaviour

The standardized coefficients in Table 3 reveals that:

The dependent variable, individual disposable income value has strong positive effect on consumers' buying behaviour because the standardized coefficient Beta value (0.552, 0.000) which shows statistically significant contribution for the value is less than 0.05.

Table 4 Model Summary

Model	R	R Square	Adjusted Square	Std. Error of the Estimate
1	-.831[a]	.691	.701	.1217

a. Predictors: (Constant), Inflation

From the result in table above, (i) adjusted R square (0.701) has moderate fit. This reveals that the constructed simple regression model of the independent variables (inflation) account for approximately 7% variable in the dependent variable (consumers' buying behaviour). Adjusted R square and standard error of teh estimate talk about the performance of model, however, standard error of the estimate 0.1217 showed that the model is reliable because is very close to zero. (ii) The correlation coefficient (r=-0.831) indicated a strong negative association between the inflation and consumers' buying behaviour. The results on the Analysis of variance (ANOVA) for the model are shown in Table 5.

Table 5

ANOVA[b]

Model	Sum of Square	Df	Mean Square	F	Sig.
1 Regression	.812	1	.812	25.100	.000[a]
Residual	2.200	68	.03235		
Total	3.161	69			

a. Predictors: (Constant), Inflation
b. Dependent Variable: Consumers' buying behaviour

The results of the analysis of variance (ANOVA), F (df 1, 68 = 25,100, P < 0.05), indicated a statistically significant effect of inflation on consumers' buying behaviour. Based on this significant relationship, the coefficient for the Beta weight for the amount of standard deviation unit of change in the dependent variable was calculated. The results are as shown in table 6 below.

Table 6

Coefficients[a]

	Unstandardized Coefficients		Standardized Coefficients		
Model	B	Std, Error	Beta	T	Sig
1 (Constant)	.318	.078		4.461	.000
Inflation	.179	. 210	-.642	4.336	.000

b. Dependent Variable: Consumers' buying behaviour

The standardized coefficients in Table 6 reveal that:

The independent variable, inflation value has strong negative effect on consumers' buying behaviour.

V. Conclusion and Recommendation

Gross Domestic Product (ODP) of a nation depends greatly on the economic situation of such a country. During the economic recession, there is always low disposable income. High rate of unemployment, inflation to mention a few. All these affect the types of good consumers' buy. Consumers' buying decisions greatly depends on the individual consumers disposable income, rate of inflation in an economy and other recession's indices. This accounts for the strong association that exist between these recession's indicators and consumers buying decisions. Individual households standard of living is adversely affected during economic recession until when there is a little stability in the economic conditions of the nation.

Government at all levels should be more concerned about the economic situation of the country and to formulate policies that reduce the hardship or burden of economic recession. More so, government should subsidize the prices of basic and essential goods so that they will be affordable by common man. Introduction of price control for basic goods and proper monitoring of such to ensure total compliance by the sellers is also a mechanism to soften the effect of recession on consumers. Private business owners should adopt a good pricing policy coupled with better quality products to enhance positive buying decisions towards their products.

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