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Analysis of Income and Expenditure Pattern among Rural Households in Katsina State

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ABSTRACT
Income earned by households usually determines their expenditure pattern. In Nigeria for instance, earnings and spendings of people living in urban areas are significantly higher than those found in the rural areas due to a number of economic reasons, ranging from large number of public and private institutions, high population density, industrialization, modern markets, Information and Communication Technology amongst others. This paper however, investigates the sources of income and expenditure pattern of households in rural areas of Katsina State. A sample of 12 typical rural areas across three local governments in three senatorial zones in the state were selected. Descriptive statistics and percentage analysis were applied to depict the actual sources of income and the pattern of expenditure of the rural households. The results indicate Agriculture and trading as major occupations yielding highest income, while on the contrary, Tailoring and Shoe Making yields lowest income to the rural people. The results also indicate higher spendings on Foods, beverages and agriculture, while less spendings was observed on Clothing and Education. Furthermore, a huge disparity was found between the income of traders and tailors residing in rural areas, on the other hand, huge spendings on foods and beverages by the rural people was discovered. The paper finally recommends provision of critical economic infrastructure and modern markets in rural areas to boost income of rural households.
Keywords: expenditure pattern, income, households, agriculture, trading

INTRODUCTION

The expenditure pattern of an individual is majorly determined by his level of disposable income. Invariably, income earnable to households, business firms and governments vary with time, due to differences in economic opportunities, economic activities and countries of residence. For instance, wages, profits, rents and government revenues in poor countries are very low, far less than what is obtained in advanced countries. Likewise, pattern of expenditure of households in the developed countries exceed households' expenditure significantly in poor and developing countries. Human development report (1999) published by United Nations Development Program UNDP shows a skewed distribution of world Gross Domestic Product GDP. According to the report, the richest 20 countries receive 86 percent share of world GDP. While the 20 poorest countries receive not more one percent. According to this report income gap between the people living in the richest countries and people living in the poorest countries is extremely wide. The World Development Report WDR published by World Bank (2001) revealed that, "The world has deep poverty amid plenty of the world's 6 billion people, 2.8 billion almost half, live on less $ 2 USD per day, and 1.2 billion lives on less than $ 1 a day with 44 percent living in

Asia. This report further added that the average income in the richest 20 countries is 37 times the average in the poorest 20, a gap that has doubled in the past 40 years.

However, people in Africa live in different locations depending on level of education, occupation, economic, political and environmental factors. Majority of people in Africa live in rural settlements, with insignificant proportion living in cities, despite persistent increase in Rural-Urban Migration in recent years. African cities are predominantly characterised by sizable number of small, medium and large-scale industries, huge private investments and presence of corporate organizations and Multinational Corporations. This is why wages/salaries and other incomes are higher in urban areas against what is obtained in the rural areas.

Nigeria for instance, being the most populous nation in Africa, with almost 20% of World's population of black race has majority of its people living in rural areas. Although the population density in states like Lagos, Oyo, Kano and the Federal Capital Territory Abuja among others increase astronomically over the years. People living in these cities enjoyed job opportunities and earned higher income and spend higher compared to millions of people living in rural areas who earnings are very low.

Katsina state is a border state located in the North West region of Nigeria. People of Katsina are predominantly farmers, traders and civil servants. Most of the farmers and traders are residing in rural areas while majority of the civil servants live in the state capital and few other major towns in the State. The Income level and expenditure pattern of the people living in the metropolis and major towns are not the same with the income earned and expenditure pattern in rural areas. For this reasons, rural people migrate frequently to the urban centers for better living. Similarly, traders in the urban centers, multi million Naira businesses, earning huge profits and spending on significantly on essential and luxury goods and services, unlike their counterparts in the rural communities who earn little income that hardly carter for their essential needs. To investigate the actual sources of income of rural households and pattern of their expenditure, this paper investigates the sources of income and pattern of expenditure of rural households in Katsina State. The specific objectives of the paper are (1) to investigate the sources of income of rural households in Katsina State (2) to investigate the pattern of expenditure of rural households in Katsina State (3) to investigate the sufficiency of income earned by the rural people vis a vis their essential needs of life (4) to recommends potent measures that will improve the sources of income to rural people.

Income

The American Heritage Dictionary of the English Language (2022) defined income as the amount of money or its equivalent received during a period of time in exchange for labour or services, from the sale of goods or property, or as profit from financial investments. Moreover, income is the sum of wages, salaries, profits, interest payments, rents, and other forms of earnings received in a given period of time." (Wikipedia 2023). In other words, income is a money that an individual or business receives in exchange for providing a good or service or through investing capital. Income is used for financing day to day expenditure Investopedia, (2023).

Expenditure

An expenditure is defined as payment of cash or credit for goods or services, often by an individual, business, organization or corporation. The purchase may be to obtain goods and services by households or new assets, improve upon or repair assets, or reduce liability by business firms. In other words, an expenditure is funds used by an individual, business, an organization, or corporation to make payments for goods and services or attain new assets, improve existing ones, or reduce a liability. it is the use of cash or cash equivalents to purchase goods and services or assets, pay down debt, or fund operations (Matthew 2022).

Household Expenditure

Household Expenditure is the amount of final consumption expenditure made by resident households to meet their everyday needs, such as food, clothing, housing, rent, energy, transport, durable goods, health services, leisure and miscellaneous. It is an essential variable for economic analysis of demand. Total household spending is measured as a percentage of GDP, and in annual growth rates (SNA 2008).

Rural Area

A rural area is an open swath of land that has few homes or other buildings, with not very many people. A population density of a rural area is very low. In a rural area, there are fewer people, and their homes and businesses are located far away from one another. Wikipedia (2023). In rural areas, most people live or work on farms, ranches. Hamlets, villages, towns, and other small settlements. Wildlife is more frequently found in rural areas than in cities because of the absence of people and buildings. Throughout the world, more people live in rural areas than in urban areas. This has been changing rapidly, however. In Asia, for example, the United Nations estimates that the urban population will increase by almost two billion by 2050.

Theoretical Framework

Standard economic model states that consumption of goods and services provides individuals or households with utility. For many households, consumption expenditure will not be equal to income, and hence the two measures may provide different pictures of economic well-being. (Banks and Leicester, 2014). Consumption expenditure pattern is an important indicator of economic status and living standards of households. Therefore, the various food and non-food consumption options depend on the availability of goods and services. (Basumatary, 2015).

The determinants of the economic status of a society are per capita income, the standard of living, the level of consumption etc. While the increase in per capita income and per capita consumption expenditure are some of the macro level indicators of development, their distributions are some of the macro level indicators of development. The distribution of household expenditure is a micro level indicator.

The standard economic model made it clear that individual households derive utility from consumption of a given bundle of commodity. Knowing quite well that to consume, part of consumer's disposable income needs to be sacrificed. Therefore, positive correlation is expected between individual income and consumption. The model further, identified income and consumption as key determinants of economic status of an individual. This Indicate the power of income and consumption in shaping the life of people. At the same time, the model established a strong correlation between income level and consumption, affirming the positive correlation between the two variables. This paper therefore adopts standard economic model because of its relevance to the research objectives of the paper.

Literature Review

Kiron and Setia (2014) observed that consumption expenditure is increasing due to increase in urbanization, breaking up of the traditional joint family system, desire for quality food, lack of time which translates in to an increased need for convenience. The study analyses the pattern of consumption expenditure of urban households to show the frequent changes in both food and non-food consumption expenditure due to the changes in income and occupation of the people. The study showed significant differentials in consumption expenditure within the group of households. Low expenditure elasticity for cereals and high expenditure elasticity for other food items observed in the study signifies a shifting food consumption pattern in both rural and urban areas as income increases. Education, income, occupation and location were significant determinants of consumption expenditure of the households.

Nwabueze (2009) studied the relationship between Gross Domestic Product GDP and personal consumption expenditure and found an increase in Gross Domestic Product had no significant effect on the personal consumption expenditure in Nigeria using data for the years 1994-2007. In Uwajaren (1977), studied consumption expenditure in Nigeria to Friedman's Permanent Income Hypothesis, the result showed that consumption was a function of current and permanent income. A study by Ogunniyi et al (2012) revealed that, the proportion of expenditure spent on food is inversely related to total income. Sonika and Singh (2016) noted that it can be widely known that consumption expenditure is one of the major components of economic growth and it is equally important to both macro-economists and micro-economists.

METHODOLOGY

This paper investigated the sources of income and expenditure pattern among rural households in Katsina State. Primary data was collected from 171 households selected from 12 rural communities in three sampled local governments areas, Malumfashi, Mani and Batagarawa local governments. Quota sampling was adopted in selecting the local governments and the rural communities. Each Local Government was selected from the three senatorial zones in the state. Geographical factors are considered in selecting the rural communities to avoid proximity of the selected areas. Descriptive analysis was applied, in the form of Mean, Percentage, Minimum and Maximum in determining the major sources of income and expenditure pattern among rural people in the state.

Table 1: Population and Sample Distribution of Selected Rural Communities in Katsina State

S/N	Local Government Area	Population in 2023 (N)	Sample size	%	Rural Area	Sample Size	%
1	Malumfashi	326, 900	60	35	Borindawa	12	7.0
					Yammama	15	8.77
					Karfi	18	10.53
					Gora	15	8.77
2	Batagarawa	184,575	53	31	Dabaibayawa	10	5.85
					Gwammatawa	15	8.77
					Unwala	13	7.60
					Angawa	15	8.77
3	Mani	315, 100	58	34	Bagiwa	10	5.85
					Kadarabe	15	8.77
					Tokarchi	15	8.77
					Magami	18	10.53
Total		**826,575**	**171**	**100%**		**171**	**100%**

Source: Author's computation

Table 1 presents the population of the study areas and the sample distribution across the selected local governments and rural communities. As at June 2023, Malumfashi Local Government has total population of 326, 900, Mani comes second with total population of 315, 100 while Batagarawa is the least with total population of 184,575 over the same period. Out of 171 total sample size, of rural communities in the study areas, total sample of 60 (35%) households was allocated to Malumfashi being the most populous. This is distributed across four rural communities namely Borindawa 12 (7%), Yammama 15 (8.77%), Karfi 18 (10.53%) and Gora 15 (8.77%). In Mani Local Government, 58 (34%) sample was allocated across four villages namely, Bagiwa 10 (5.85%), Kadarabe 15 (8.77%), Takarchi (8.77%) 15 and Magami 18 (10.53%) sample, while 53 (31%) sample was allocated to rural areas in Batagarawa, namely Dabaibayawa 10 (5.85%), Gwammatawa 15 (8.77%), Unwala 13 (7.60%) and Angawa 15 (8.77%).

Table 2: Household Income and its Sources in the Selected Rural Areas of Katsina State

S/N	Income Source	Household Frequency	%	Income per Day	Income per Month	Income per Annum	%
1	Agriculture	93	54.34	3,000	90,000	1,080,000	13.54
2	Trading	13	7.60	4,000	120,000	1,440,000	18.06
3	Transportation	11	6.43	2,000	60,000	720,000	9.03
4	Wage Labour	13	7.60	1,500	45,000	540,000	6.77
5	Driving	09	5.26	2,666	80,000	960, 000	12.04
6	Tailoring	08	4.68	816,66	24,500	294, 000	3.69
7	Carpentry	05	2.92	2,500	75,000	900,000	11.29
8	Shoe Making	02	1.17	1,000	30,000	360,000	4.51
9	Bakery	05	2.92	2,500	75,000	900, 000	11.29
10	Civil Service	12	7.02	2,166	65,000	780, 000	9.78
	Total	**10**	**10%**	**22,150**	**664,500**	**7, 974, 000**	**10%**
	Grand Total	**171**	**100%**	**157, 265**	**4. 717, 950**	**56, 615, 400**	**100%**

Source: Author computation. Note: Income is presented in Naira (Nigerian Legal Tender)

Table 2 depicts frequency of households in every occupation identified in the rural communities studied. The findings reveal that 93 out of the total of 171 respondents were farmers constituting 54.34% of the total respondents. Trading is next to Agriculture with 13 respondents equivalent to 7.60%. shoe- making and bakery were the least embraced occupations with only 2 and 5 respondents, constituting 1.17% and 2.96% respectively. The subsequent columns show an individual average daily, monthly and yearly earnable incomes. Trading and Agriculture are the two major occupations yielding higher income of N4, 000, N120, 000 and N1, 440, 000 as well as N3, 000, N90, 000 and N1, 080, 000 per day, month and per year respectively, equivalent to 18. 54 and 14.06 respectively. Shoe making yield lowest income of 816.66. 24. 500 and 294, 000 for tailoring and N1, 000, N30, 000 and 360, 000 as individual incomes per day, month and year respectively, equivalent to 3.69% and 4.52%.

Table 3: Descriptive Result of Minimum and Maximum income Yielding Occupations in the Selected Local Government of Katsina State

Description	Income Source	Income per Month	%	Df	Mean
Maximum	Trading	120,000	83.04	95,500	72,250
Minimum	Tailoring	24,500	16.96		
Total		144, 500	100		

Source: Author's Computation. Note: Income is presented in Naira (Nigerian Legal Tender)

Table 3 presents descriptive results of the highest income yielding and lowest income yielding occupations. From the table, Trading yielded maximum/highest income of N120, 000 to individual rural household per month which is equal to 83.04% of the total income, while Tailoring yielded the lowest monthly income of N24, 500 equivalents to 16.96% of the total income earned. N95, 000 is the income difference between the highest income earner and the lowest income earned. N72, 250 is the mean income obtained from the income of the highest income earner and the lowest income earner.

Expenditure Pattern per Household in Selected Rural Communities in Katsina State

S/N	Expenditure	Daily Expenditure	Monthly Expenditure	Annual Expenditure	%
1	Foods & Beverages	700	21,000	252, 000	45.90
2	Housing/ Maintenance	***	4,000	48, 000	8.74
3	Health	***	1, 500	18, 000	3.28
4	Education	***	550	6, 600	1.20
5	Agriculture	***	6, 500	78, 000	14.21
6	Transportation	200	6, 000	72, 000	13.11
7	Clothing	***	***	15, 000	2.73
8	Electricity	***	2, 000	24, 000	4.37
9	Festivities	***	3, 000	36, 000	6.55
Total		***	***	549, 600	100

Table 4 presents the results of household expenditure on various stuffs per day, per month and per year. From the results, a household highest expenditure per day went to food and verbarages, N700 per day, N21, 000 per month and N252, 000 per year, equivalent to 49.50% of his total expenditure. Average household expenditure on Agriculture is the second highest, which is N78, 000 per year, constituting 14.21 percent. The lowest spendings of a household per year according to the findingd went to Education and clothing with N6, 600 and N15, 000 equivalent to 1.2% and 2. 73% respectively.

DISCUSSION OF RESULTS

The results of this paper indicate Agriculture and trading as major occupations yielding high income, while on the contrary, Tailoring and Shoe Making yields low income to the rural people. Agriculture yields highest income because most rural people rare and sale domestic animals, cultivate food and cash crops in large quantities. These seasonal practice helps immensely in generating income to rural households. Trading is also the major occupation of most rural households in the dry season. In Katsina State, however, most rural households in youthful ages migrate to cities and village weekly markets to trade crops, manufactured goods, pottery and locally made items, while many others render petty services. Low income earned from tailoring and shoe making do not come as a surprise, considering the nature of the two commodities. It was found that rural people buy new set of clothes and shoes mostly once in year to celebrate *Sallah* (Annual act of worship by Muslim faithful).

The results also indicate higher spendings on Foods, beverages and agriculture, while lower spendings on Clothing and Education were observed. Furthermore, a huge disparity was found between traders and tailors residing in the study area as well as huge spendings on foods and beverages. Huge expenditure on food and beverages is necessary because of the nutritional importance of food in human life, and the positive correlation between food and human health, while, less expenditure on clothes was recorded because the rural people do not frequently purchase new clothes due to increasing rural poverty, while less expenditure on education may arise because most rural people send their wards to public schools and very few of them attend tertiary institutions.

CONCLUSION

This paper investigates the sources of income and expenditure pattern of rural people in Katsina State. Primary data was collected from rural people in 12 villages located in different parts of the state. Descriptive analysis was applied for the study. The paper concludes that Agriculture and trading are major occupations yielding higher income, while on the contrary, Tailoring and Shoe Making yields lower income to the rural people. The results also indicate higher spendings on Foods, beverages and agriculture, while lower spendings on Clothing and Education were observed. Furthermore, a huge

disparity was found between traders and tailors residing in the study area. The paper generally concludes that income of rural people is not adequate for them to cater for their basic needs of live, while greater proportion of their expenditure is spent on basic necessities of life, very little is spent on luxury.

RECOMMENDATIONS

Since Agriculture is found as major occupations yielding high income to rural farmers in Katsina State, Government and all stakeholders should provide adequate technical and financial support to rural farmers. This will help in creation of more income and wealth as well as reduce rural poverty to a large extent.

There is need to organize workshop and seminar on entrepreneurship and modern marketing strategies for rural Tailors and Shoe Makers. This will expand their level of thinking to trade their product in urban areas and beyond. This will boost the meager income earned from these trades.

Higher spending on food justifies meager income among rural households. To expand their income level, more skills and craftsmanship need to be adequately provided to boost their earnings and spendings on non-food stuffs.

Priority should be given to job creation to rural graduates, this will encourage rural households to appreciate education and invest on their wards to acquire higher certificates and degrees.

Finally, concern authorities should prioritize provision of basic economic infrastructure, development of abundant natural resources in rural areas and creation of markets to boost to boost rural economy.

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