

Factors and Implications of the High Cost of Living on Households in Gwagwalada Area Council, Abuja

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Abstract

Many Nigerian households are going through hardship to acquire the crucially needed necessities of food, clothing, and shelter. This paper investigated the major factors responsible for the high cost of living in the Federal Capital Territory Abuja, Gwagwalada Area Council and their implications on the households. Two specific objectives guided the study. The study adopted a descriptive survey research design. The study sample consisted of 399 out of 157,770 households in Gwagwalada Area Council. “High Cost of Living on Households Questionnaire (HCLHQ)” validated by three experts was used for data collection. The questionnaire was self-administered by the researchers with the help of three trained research assistants within two weeks, with a 75% return rate. The data obtained from the research were coded into Statistical Product and Service Solutions (SPSS, version 25). Frequencies, charts, and percentages were used to present the data. The results revealed that ineffective government economic policies (53.2%) and a hike in petroleum prices (21.3%), were the major factors of the high cost of living in the area. Other minor factors identified include corruption among public and private officials (16.3%) and the global economic crisis (7.6%). The finding also revealed the high crime rate (28.6%), social ills (25.6%), and hunger (25.2%) and the implications of the high cost of living among households in the area. The study recommended among others that to reduce the implications of the high costs of living on households, the government should embark on people-friendly economic policies and direct social support programmes towards reducing the negative impact on households.

Keywords: Implications, cost of living, households, Gwagwalada

Introduction

The high cost of living is a major concern for many individuals and families around the world. It is an issue that affects people of all income levels and can significantly impact their quality of life. **Nigerians are passing through difficult times as the cost of living continues to rise** (Chinedu, 2022). The value of the naira is also depreciating daily despite the regulatory agencies' claim of making efforts to stabilise the economy. Both salary earners and self-employed citizens complain that their earnings rarely meet up with family demands including feeding, health, education and housing. Coupled with the fact that the minimum monthly wage is still about ₦18, 000 (\$44) for workers in most states, with state governments opposing the new minimum wage of ₦30, 000 (\$73) established by the federal government in 2019 (Ray, 2023).

Surveys by Philip et al. (2022) in Kano, Abuja and Lagos, among other cities, showed that the high cost of living is mostly attributed to the skyrocketing prices of food items, energy, transport and other household consumables. A visit to the market in recent times confirms that the cost of food and other household products is on a high trend (Ighakpe, 2023). According to recent data released by the National Bureau of Statistics (NBS, 2022), although the Nigerian headline inflation rate reduced a little to 21.34% in December 2022, compared to the November 2022 headline inflation rate of 21.47%, however, the inflation rate was 5.72% points higher compared to the 15.63% rate recorded in December 2021. The latest rise in inflation was triggered by the increases recorded in the prices of gas, liquid fuel, solid fuel,

passenger transport by road, passenger transport by air, garments, cleaning, repair and hire of clothing.

On food inflation, NBS stated that: "The food inflation rate in December 2022 was 23.75% which was 6.38% higher compared to the 17.37% rate recorded in December 2021. The food inflation rise was caused by increases in prices of bread and cereals, food products, potatoes, yams and other tubers; meat, fish, oil, and fat (Philip et al., 2022). Ray (2023) attributed much of the price increase to the insecurity in many parts of Nigeria resulting in farmers' inability to go to their farms for fear of getting killed. The statistical data above simply reveals that the cost of living is rising relentlessly. For many, bread and milk have become a luxury, and three meals a day is a rarity. Many families now eat rice only on festive occasions because of its high cost (Ighakpe, 2023). Transportation, health treatments, and decent accommodation among other amenities are becoming almost impossible for most Nigerians to access because of their high cost. Those who suffer most are the unskilled labourers and unemployed people who are in no position to demand higher incomes to keep up with rising prices.

Highlights of the 2022 Multidimensional Poverty Index survey by NBS and others revealed that 63% of persons (133 million people) living in Nigeria are multidimensionally poor. Not only have living standards in Nigeria been falling at an unprecedented rate for the past two decades but government responses have been tepid and have failed to halt, let alone reverse, the troubling trend (Lanre, 2022). The

inflation rate in the country is higher in urban than rural areas. In June 2021 urban inflation was 18.35% year on year (compared to the same month of the previous year), compared to 17.16% in rural areas (Tosan, 2021). The cost of living in Nigeria is dependent on the state of residence as some states have a lower cost of living where one can easily afford basic needs. However, of the many cities in the country, Lagos and Abuja have received significant global attention based on their high political and economic relevance. These cities rank high on the list of the most expensive cities in the world ahead of prominent cities like Berlin and Barcelona, meanwhile, Nigeria is rated as one of the poorest countries in the world. Additionally, many Nigerians believe that these cities offer a lot of opportunities than other states which is one of the key reasons for the continuous influx of people into the cities (Tosan, 2021). This was a result of the oil boom of the 1970s which improved the conditions of the big cities significantly while also causing the population to explode. Consequently, private investment in amenities and luxuries to meet the needs of foreigners and businesses increased, which eventually spiked costs in the cities thus, resulting in a very high cost of living in the cities.

Abuja officially became Nigeria's capital in 1991, replacing Lagos. Most countries relocated their embassies to Abuja, which is the headquarters of the Economic Community of West African States (ECOWAS) and the regional headquarters of OPEC. The federal capital territory, designed to accommodate a minimum population of about five million, has witnessed a high

influx of people; many fleeing the challenges of rural life in various communities or those seeking greener economic pastures as well as investors. The high influx of people into Abuja has created a surge in the demand for limited resources including housing, food, education, and transportation. According to International Salary Calculator [ISC] (2023), the cost of living for expatriates in Abuja as of April 2023 is high in comparison to most other places in the world. This high cost of living is evident in different sectors of life which include; education, health care, household accommodation, transportation, and groceries among others. Abuja ranked 75.87 as an extreme hardship location among major cities of the world. Abuja is 8.3% more expensive than Houston for groceries, and 129.8% more expensive for household costs than Kuala Lumpur.

The high cost of living impacts several sectors at the moment. Approximately 820 million people globally are faced with hunger, while over two-thirds of the world population is reported to lack essential nutrients, in their diet, thus negatively impacting well-being and life expectancy (Kansiime et al., 2021). The current rising cost of living in Nigeria has also greatly affected household feeding and diet. The total income of a household is inversely proportional to its food expenditure (Babalola & Isitor, 2014). For instance, bread that used to be sold at ₦200 is now sold at ₦350, which shows an increased rate of 150% in the price of bread (United Nations Conference on Trade and Development [UNCTD], 2022). The availability and cost of housing are not left out (Pettinger, 2022). In the housing sector, costs of property, leases or rents in

Nigeria have astronomically increased. Opara (2021) noted that the biggest challenge for most households in megacities like the Federal Capital Territory (FCT) Abuja, Port-Harcourt or Lagos is securing decent and affordable housing. Education is another sector affected by the rising cost of living. The tuition fees in a regular primary school are between ₦30,000 and ₦150,000 per term, while the prices in international schools usually range from ₦500,000 up to ₦3 million per annum. Public schools cost less as the fees can be as low as ₦5,000, however, they are not usually an option for parents who want to give their children the best education possible. Davis (2012) noted that the rising cost of education especially at the tertiary level is alarming. Recently, payment of tuition fees and other charges especially in higher education institutions put huge pressure on parents or household finances (Akinyemi et al., 2012).

The price increase in fuel and the poor condition of access roads to markets and business places have made transport operators all over Nigeria increase the cost of transporting human beings and goods to meet up with their operational and maintenance costs (Abimbola, 2022; Bolaji, 2022). This leads to poor distribution of consumer items all over the country, thus, compelling the traders and food vendors to increase the prices of available consumer products and food items. In addition, Beth and Daniel (2022) attributed the factors responsible for the high cost of living to include rising energy prices, shortage of goods, shipping/transportation costs, salary/wage increase, climate impact and trade barriers among other things. Udochukwu et al. (2022) reported that

food and household product prices have increased due to fundamental shifts in global supply and demand. Abuja residents have expressed concern over the astronomical rise in the cost of living in the FCT. Although some blame the rising cost of living on the increase in fuel pump prices and the continued closure of international borders, others believe the current economic woes are a result of the government's faulty economic policies (Gboyega, 2022).

According to Azubuike and Nwosu (2017), the persistent increase in consumer product prices has led to extensive malnutrition and food insecurity among the poor, low investment due to insecurity and a negative effect on the trade balance. There is also a hike in intracity transport fares and this has affected the cost of commodities. There has been a lack of or breakdown in basic services such as potable water supply, efficient city transport services, affordable housing, adequate nutrition, and security in many Nigerian urban cities. As a result, the rate of burglary, pickpockets, kidnapping and other criminal activities has increased. Despite the government's efforts to tackle the problem through the provision of tons of assorted grains to needy citizens in 2022, and the approval of the National Food Security Council to address the issue of persistent hikes in food prices (Gboyega, 2022), the overall cost of living is still beyond the reach of many citizens especially in the big cities like Abuja. It appears the crucial factors that are responsible for the high cost of living have not been identified, and hence the issue has not been properly addressed. It is on this note that this study was designed to identify the major factors

responsible for the high cost of living for households in Abuja Federal Capital Territory in Gwagwalada Area Council and the attendant implications.

Objectives of the study

The objectives of the investigation were to:

1. ascertain the major factors responsible for the high cost of living among households in Gwagwalada Area Council, Abuja;
2. identify the major implications of the high cost of living for households in the study area.

Methodology

Design of the Study: The study adopted a descriptive cross-sectional survey research design. A cross-sectional study analyses data from a population, or a representative subset, at a specific point in time (Uzoagulu, 2011)

Population for the Study: The population consisted of 157, 770 households in Gwagwalada Area Council of the Federal Capital Territory, Abuja (National Population Commission, 2006)

Sample Size Determination and Sampling Technique: The sample size of 399 households was used for the study. Sampling was done in multi-stages. The first stage was the random selection of 30% (4 wards) out of the 10 wards that made up the area. This gave a total of 47,331 households. According to Ogunjimi (2010), a sample size of 15% - 30% is considered adequate for a large population. In the second stage, the Taro Yamane formula was applied to select a sample size of 339 households for the study. The third stage involved the systematic selection of every 9th household on the streets until 399

households were obtained in the four wards.

Instrument for Data Collection: A ten-item questionnaire titled “High Cost of Living on Households Questionnaire (HCLHQ)” was used as an instrument for data collection. It was a closed-ended questionnaire. The questionnaire was made up of two sections A and B, with Yes or No response options. Section A elicited information on the major factors responsible for the high cost of living, while Section B investigated the major implications of the high cost of living on households.

Validity and Reliability of the Instrument: The instrument was face and content validated by three experts from the Department of Consumer Sciences, Base University, Abuja. The reliability of the instrument was ascertained using Cronbach’s Alpha reliability test, and a coefficient score of 0.76 was obtained which fell within an acceptable range.

Method of Data Collection: The researchers with the help of three trained research assistants administered the questionnaire to the respondents within a duration of two weeks. The researchers explained their intentions and after the full consent of respondents was secured, the questionnaire was administered. Out of the 399 copies of the questionnaire administered, 301 were returned valid, representing a 75 per cent success return rate.

Statistical Analysis: Data collected were imputed into the Statistical Package for Social Sciences (SPSS) version 25 software. Descriptive statistics were used for data analysis. The frequency counts, charts, and percentages were used to present the data. The responses with percentages of 20% and above were

accepted while the responses with percentages less than 20% were not accepted.

Results
Factors responsible for the High Cost of living among Households in Gwagwalada Area Council, Abuja.

Table 1 revealed the factors responsible for the high cost of living among households in the study area. The majority (53.2%) of the respondents were

of the view that ineffective government economic policies were the major factor responsible for the high cost of living among the households. While 21.3% of the respondents identified a hike in petroleum prices as responsible for the high cost of living in the area. The rest of the items; corruption (16.3%), and global economic crisis (7.6%) were not accepted as the major factors responsible for the high cost of living among the households.

Table 1: Percentage Responses on the Major Factors Responsible for the High Cost of Living among the Respondents

Variables	Frequency	Percentage	Remarks
Ineffective government economic policies	160	53.2	Accepted
Hike in petroleum prices	64	21.3	Accepted
Corruption among public and private officials	49	16.3	Not Accepted
Global economic crisis	23	7.6	Not Accepted
No ideas	5	1.7	Not Accepted
Total	301	100	

An overview of the graph in Figure I indicates that the majority (53.2%) of the respondents believed that ineffective government economic policies followed

by hikes in petroleum prices (21.3%) are the most responsible factors for the high cost of living among the households in the Gwagwalada Area Council, Abuja.

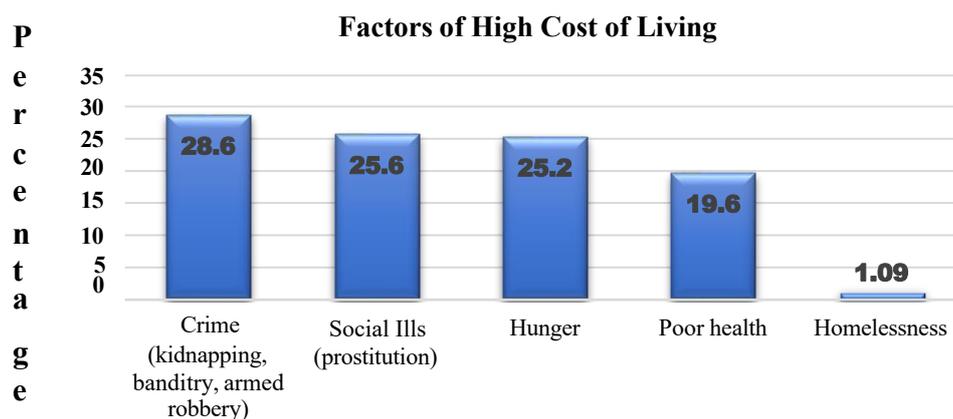


Figure I: Factors responsible for the high cost of living among households

Implications of the high cost of living on households in Gwagwalada Area Council, Abuja

Table 2 revealed the implications of the high cost of living among households in the study area. High incidence of crime (28.6%), prostitution (25.6%) and hunger

(25.2%) were accepted as the implications of the high cost of living among households. Poor health (19.6%) and homelessness (1.09%) were not regarded as the implications of the high cost of living in the study area.

Table 2: Responses on Major Implications of the High Cost of Living among the Respondents

Variables	Frequency	Percentage	Remarks
Crime (kidnapping, banditry, armed robbery)	86	28.6	Accepted
Social Ills (prostitution)	77	25.6	Accepted
Hunger	76	25.2	Accepted
Poor health	59	19.6	Not Accepted
Homelessness	3	1.09	Not Accepted
Total	301	100	

An overview of the graph in Figure II indicates that most of the respondents believed that kidnapping, banditry, armed robbery, etc., and social ill

prostitution and hunger, were major implications of the high cost of living among households in Gwagwalada Area Council, Abuja.

Major Implications of the High Cost of Living

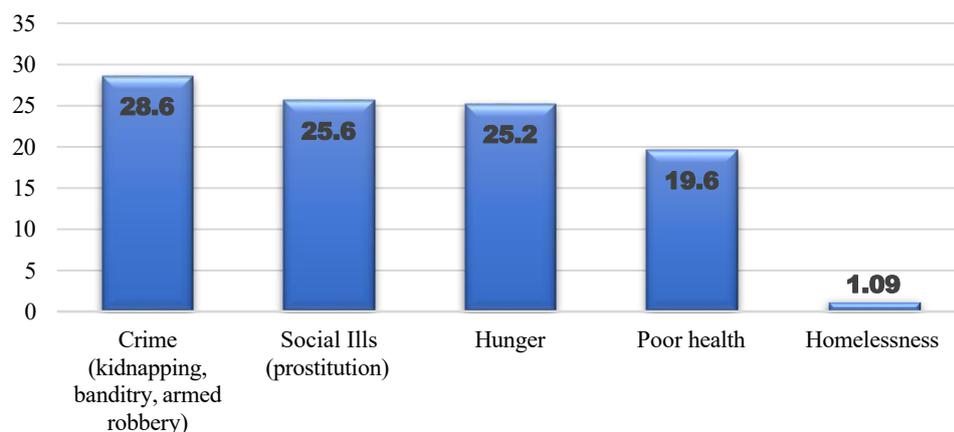


Figure 2: Implications of the high cost of living among households in Gwagwalada Area Council, Abuja

Discussion of Findings

The study identified the major factors responsible for the high cost of living in Gwagwalada Area Council, Abuja metropolis, Nigeria. Ineffective government economic policies and a hike in petroleum prices were the major causes of the high cost of living among households in Gwagwalada Area Council, Abuja identified. These findings are expected since according to Mayowa (2017) the International Monetary Fund (IMF) posits that Nigeria's crisis is not just because of a crash in oil prices, but also because of the delayed and poorly managed policy adjustment to the country's fresh realities. The fund said "inflation has risen to troubling levels" owing to delayed adjustments and the country's foreign exchange policy. Domestic policy failures cited include delayed/poorly managed policy adjustments to lower commodity prices.

The hike in petroleum prices is expected to affect families' cost of living because petroleum marketers are the major determinants of the selling prices irrespective of the official pump prices by the government. Hence, the prices of petroleum vary across various cities in Nigeria. The finding on ineffective government economic policies as a cause of the high cost of living is in line with the finding of Lanre (2022) who found that not only have living standards in Nigeria been falling at an unprecedented rate for the past two decades, but government responses have been tepid and have failed to halt, let alone reverse, the troubling trend of the cost of living of the citizens. However, the findings

contradicted the reports by the Nigeria Bureau of Statistics (2022) that reported that the high cost of living in Nigeria is caused by soaring food prices, disruption in the food supply chain, rise in the cost of imports due to the currency depreciation, and increase in the cost of production. It also contradicted the argument by Pettinger (2022) that the cost of living crisis is fundamentally caused by higher inflation, and low wage growth, leaving many households worse off in real terms. Pettinger (2022) opined that the crisis of cost of living has been exacerbated by short-term factors, such as COVID-19 and the Ukraine war, but the study has shown that the pressure on living standards has long-term trends.

The findings also revealed that implications of the high cost of living among households in Gwagwalada Area Council include the high occurrence of crimes (like kidnapping, banditry, and armed robbery); social ills (prostitution); hunger, and poor health. These results are expected since the National Bureau of Statistics (2022) reported that the Nigerian headline inflation and food inflation are increasing at an alarming rate and the value of naira continues to depreciate even though regulatory agencies claim they are doing everything possible to stabilise the economy. The income of both salary earners and self-employed citizens barely meets up with their family needs including feeding, clothing, shelter, health care, transportation, social welfare and education. Life has therefore become increasingly difficult for many Nigerians, especially the low-income

earners, the unemployed, and other vulnerable people as the cost of living keeps rising beyond the reach of the people. These findings corroborated the results of a study by Kansiime et al. (2021) which reported that the high cost of living has huge implications on the diet, health, and well-being of the household. Adequate feeding is a daily necessity and challenge for many households. Approximately 820 million people face the challenge of hunger globally, while more than two-thirds of the world's population does not get essential nutrients from their diet creating negative consequences on the well-being and life expectancy of many households (Kansiime et al., 2021). The findings are also in line with the argument by Azubuike and Nwosu (2017) that the rising cost of living has forced some people into crimes (kidnapping, armed robbery, brigandage, advanced fee fraud, etc.) to maintain a decent life. The incidence of killings and kidnappings in Nigeria currently is mostly perpetuated by young people. Many young people live in poor households where parents have little or no financial capacity to provide a reasonable standard of living for their children; so the youths might resort to self-help or use of dishonest means to survive.

Conclusion

The major factors and the negative implications of the high cost of living

were revealed in this study. Ineffective government economic policies and a hike in petroleum pump prices were the major factors responsible for the high cost of living among households in Gwagwalada area council, Abuja. Although the issue of corruption and global economic crisis were to blame, they seemed not to be major complaints of the residents of Abuja metropolis. However, notwithstanding the causes, it is widely believed that the high cost of living in the city is associated with high crime rates such as kidnapping, banditry, and armed robbery, as well as other social ills like prostitution and extreme hunger.

Recommendations

Based on the findings and conclusion of this study, it is recommended that:

1. Government at all levels should quickly embark on people-friendly economic policies and direct social support programmes towards reducing the negative impact of the high cost of living on households; sustenance and survival of households as a priority agenda.
2. Nigerian government should fully deregulate the entire petroleum sector including the production and sale of petroleum motor spirit (PMS) to ensure availability at affordable prices all over the country

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