

Financial Coping Strategies of selected families in Enugu State in the face of Economic Recession in Nigeria

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Abstract

The major purpose of this study was to determine the financial coping strategies families have adopted to survive in the current economic recession in Nigeria. The area of the study was Enugu State. The sample was 384 while the population was 16,491,395. The instrument of data collection was the questionnaire. Data analysis was done using mean and standard deviation. Major findings of the study revealed that the financial coping strategies families have adopted to survive economic recession include: family budgeting, saving plan, debt reduction plan, modification in basic needs like food, shelter, education as well as investment strategies like saving target, spending plan among others. Based on the result of this study, it is recommended, among others, that heads of households should always take the wellness of the family into account while implementing coping strategies.

Keywords: Coping, Economy, Family, Finance, Strategies

Introduction

The economic recession in Nigeria has put enormous pressure on the family. This is because finance is very essential for the running of the day-to-day activities of the family. Scholars (including Molly, Laveren, & Deloof 2010; Mandel, 2012; Lusardi & Mitchell 2014; Vyvyan, Blue & Brimble 2014) agree that all families, irrespective of size, need finance to meet their daily needs such as payment of school fees, health care services, feeding, shelter among others. Meeting these needs has posed a serious challenge recently because of non-payment of salaries and increasing cost of living occasioned by

recession in the country. Farayibi (2016) describes economic recession as a downturn in the economy which is often characterized by symptoms such as rising prices of goods and services, inability of government to meet its financial obligations, exchange rate fluctuations, and poor performance of other macroeconomic variables which defines the state of the economy per time. The National Bureau of Economic Research (NBER, 2010) conceptualized economic recession as a substantial reduction in the economic activity spread across the country, lasting more than a few months, normally visible in real gross domestic product (GDP)

growth, real personal income, employment (non-farm payrolls), industrial production, and wholesale-retail sales. Mazurek and Mielcová (2013) aver that economic recessions are often studied from three perspectives viz: recession causes, its consequences and the last focuses on recession predictions. In this study, more attention was paid to consequence of recession which Mazurek and Mielcová (2013) describe as the sociologic and economic consequences of recessions on human life. Families have been forced to adjust their financial spending so as to survive recession. Cherlin, Cumberworth Morgan and Wimer (2013,p. 27) commented on the influence of economic recession on the family thus: 'Recessions can alter family life by constraining the choices that individuals and couples make concerning their family lives and by activating the family's role as an emergency support system.' Recession in Nigeria is evidenced in the fact that many states in Nigeria cannot pay workers' salaries. Ahiuma-Young (2015) in a lead story on workers' celebration of May 1st, reported that only nine out of 36 states in Nigeria paid workers' salaries up to April. The states are: Lagos, Edo, Delta, Ebonyi, Anambra, Kano, Cross River, Akwa-Ibom, Enugu. Rivers was said to have paid up to March as at that time. The rest of the 26 states were owing salaries ranging from two to four months. Studies (by Ahmed, Muddasar & Perviaz 2012; Sen & Ariizumi 2013;) have shown significant relationship

between salary payment and family wellness.

The National Bureau of Statistics (2016) in its Labour and Productivity Report for Q1 noted that many firms had to sack their staff while those that did not sack workers had them doing less productive work than they did in previous quarters. The report also observed that the scarcity of foreign exchange caused a large divergence between the parallel and official exchange rates, which made imported goods more expensive and affected the ability of businesses reliant on raw material imports for their production. The report for Q2 of 2016 revealed that the retrenchment of workers continued while growing hardship was commonplace. These reports do not present a cheering picture because when more people are out of work, their income reduce and this has a very negative impact on the family generally. When people do less work, there is a possibility that they will earn less. This will also eventually, put financial pressure on their families. Such a scenario will affect their purchasing power. This is indicative in the Consumer Price Index as reported by the National Bureau of Statistics (2016). According to the Bureau, The Consumer Price Index measures the average change over time in prices of goods and services consumed by people for day-to-day living. The result of the Bureau showed that in July 2016, the Consumer Price Index (CPI), increased by 17.1%, which is 0.6% points higher from the rate recorded in June (16.5%). Increases were recorded in all consumer

products. For example, the Food index increased by 15.8% in July, 0.5% points from 15.3% recorded in June. The index was supported by a faster increase in the prices of bread and cereals, meats and fish groups, amongst others. On a month-on-month basis, the highest price increases were recorded in the fish, potatoes, yams and other tubers. These are all items that families need to survive and an increase in their prices calls for greater financial management technique to be able to survive the hard times. Studies (Murakami 2012 and Wiemers 2014) have shown that unemployment significantly influences family purchasing power. What this means is that coping strategies among families in times of economic recession is desired. Scholars (including Rason and Gayer 2010, Ogbonne 2015, Boex and Muga, 2009) have advocated investment as coping strategies to survive economic recession. Noko (2016) suggests the copy strategies for individual and families to survival economic recession include limiting basic needs to only the essentials, investing for future benefits as well as reduction in leisure related activities. Ologbon-Ori (2016,p.1) noted that families are expected to know when to draw thick line between needs and wants and prioritize accordingly. Families in Enugu State, which is one of the five states also have to adopt ways of coping with recession. This is more so that Enugu is largely a commercial area where most of the families are into one form of trade or the other. Recession has greatly affected business activities as it reduced the purchasing power of many

people. Therefore, a study of the financial coping strategies families in Enugu State adopt to survive economic recession is very essential to financial management experts and researchers, home economic experts and researchers and even government agencies and non-governmental organizations who are interested in family wellness.

Purpose of the Study

The main purpose of this study was to investigate the financial coping strategies families have adopted to survive in the current economic recession in Nigeria. Specifically, the study sought determine:

- basic need related (food, clothing, housing, education and transportation) to coping strategies adopted by families to survive economic recession in Enugu State.
- investment related coping strategies of families in Enugu State.
- challenges families in Enugu face in implementing their financial coping strategies in the face of economic recession in Nigeria.

Research Questions

This Study sought answers to the following questions:

- What basic need related (food, clothing, housing, education and transportation) to coping strategies adopted by families to survive economic recession in Enugu State?
- What are the investment related coping strategies of families in Enugu State in the face of economic recession?

- What challenges do families in Enugu face in implementing their financial coping strategies in the face of economic recession in Nigeria?

Methodology

Design and area of the study:

Descriptive survey was adopted. Area of the study was Enugu State. The state is one of the five states in South East Nigeria with 17 Local Government Areas and three senatorial zones.

Population of the study: The target population of this study was all the heads of households in study area. The total number of households in Nigeria according to the National Bureau of Statistics [NBS](2011) is 16,491,395. It is important to add here that the NBS did not provide the number of heads of households in each state, thus making it difficult to determine the total number of household heads in Enugu State. The occupation households in Enugu include trading, farming, civil service.

Sample and Sampling Technique: The sample size for this study was made up of 385 household heads in Enugu State. The Cochran formula (1963, p.75) was used. With 95 percent level of confidence (confidence interval - $\pm 5\%$), population estimate of 50% (.5) and a permitted margin of error at .05 (5 percentage points), the Cochran Equation '1' which yielded a representative sample for population that are large. Multi-Stage sampling technique was used for this study. To arrive at the individual respondents, first all the three senatorial zones in

Enugu State were selected. At the second stage, two Local Government Areas were purposively selected in all the three senatorial zones, arriving at six LGAs. At the next stage, six communities were randomly selected in each of the five LGAs leading to a total of 36 communities for the study. In each of the communities, purposive sampling was used to select the longest street, thus arriving at 36 streets.

Instrument for Data Collection:

Questionnaire was used as the instrument of data collection. A total of 384 copies of the questionnaire distributed to the respondents by hand to heads of households in Enugu State. The response format was a four pointscale ranging from Strongly A (SA), Agree (A) Disagree (D) and strongly Disagree (SD). The benchmark for accepting or rejecting a statement was 2.5. The questionnaire instrument was validated by three experts from the field of study while the reliability of the instrument was determine by Cronbach Alpha method was adopted to measure the consistency coefficient of the questionnaire. The Cronbach Alpha values were .780 for Table I, .82 for Table II.

Data Collection and analysis techniques:

The data for this study was collected using the questionnaire. The instrument was administered to the respondents face-to-face by the researcher and retrieved through the same means out of the total number of

385 copies of the questionnaire that were administered to the respondents, 367 were returned and found useful. This represents 95% response rate. In the analysis of data for the study, the researcher used mean and standard

deviation. The analyses were done with the Statistical Package for Social Sciences Version 22. The result was presented in the tables.

Results

Table 1: Mean Responses on the Basic Needs Related to Coping Strategies Families in Enugu State have adopted to survive economic recession in Enugu State.

SN	Item	Mean	SD	Remarks
(a)	Food and feeding related			
1	Reducing the number of meals per day	2.6	.67	Adopted
2	Reduction in the quality of meal	2.71	1.09	Adopted
3	Reduction in menu variation	2.9	.86	Adopted
	Clothing related			
4	Paying less attention to fashion	3.4	.91	Adopted
5	Buying of fairly used clothes	3.1	.92	Adopted
6	Proper care for available cloth	2.6	.78	Adopted
	Shelter and Housing related			
7	Change of location to less expensive houses	3.0	.45	Adopted
8	Complete relocation to free houses	2.9	.78	Adopted
9	Less decoration of houses	2.7	.99	Adopted
	Education of children related			
10	Change of school for children	3.1	.89	Adopted
11	Stoppage of children's education	1.5	.86	Not adopted
13	Stoppage in the buying of text books for children	2.4	1.04	Not adopted
	Transportation			
14	Stoppage of unnecessary journeys	2.5	.87	Adopted
15	Stoppage of use of private car	3.7	.67	Adopted
16	Trekking to cover short distances	3.3	.89	Adopted

Table 1 above shows that all but stoppage of children's education and stoppage in the buying of text book were accepted as coping strategies related to basic needs family have adopted to survive economic recession in Nigeria. According to the results, the respondents reported that they reduce the number of meals per day, reduced the quality of the meal, vary their menu,

and pay less attention to fashion. Others are buying fairly used clothes, proper care for available clothes, change of location to less expensive areas, complete relocation to free houses, less decoration of houses, change of school for children, stoppage of unnecessary journeys and stoppage of private cars as well as trekking to cover short distances.

Table II: Mean Responses on Investment Related Strategies Families in Enugu have Adopted to Cope with Economic Recession

SN	Investment related coping Strategies	Mean	SD	Remarks
1	Increasing the number of working hours	3.10	.79	Adopted
2	Creating savings target	2.70	.67	Adopted
3	Credit management strategy	2.60	.89	Adopted
4	Setting spending plan	2.50	.098	Adopted
5	Budgeting	2.80	.87	Adopted
6	Minimising tax and creating additional 'after tax' cashflow	3.10	.77	Adopted
7	Reducing the effect of the debt through the review of loan facilities	3.50	.90	Adopted
8	Securing and protecting capital to allow for transition to next generation	3.40	.96	Adopted

Table 2 showed that all the items presented are used as investment strategy among families in Enugu to cope with economic recession. This is because all the items had mean scores of 2.5 and above which is within the benchmark for accepting or rejecting items. The respondents reported that as part of their investment strategies, they

have increased the number of working hours, created savings targets, developed credit management strategy, set spending plans, maintained good budgeting, minimized tax and created additional after tax cash flow and reduced secure and protect capital to allow for transition to next generation.

Table 3: Mean Responses on Challenges Families Face in Implementing their Financial Coping Strategies in the Face of Economic Recession

SN	Item	Mean	SD	Remarks
1	Poor knowledge of financial management	2.7	.78	
2	Pressure from extended family	2.6	.89	Challenge
3	Peer influence	2.5	.98	Challenge
4	Pressure from children	3.1	.77	Challenge
5	Increasing cost of consumable items	3.5	.92	Challenge
6	Increasing cost of services	3.4	.68	Challenge
7	Lack of show of understanding from spouse	2.6	.76	Challenge
8	Irregular income	2.9	.87	Challenge

The result from Table 2 above showed that all the nine items presented were accepted as the obstacles to the implementation of financial coping strategies families have adopted to

survive the harsh economic realities in Nigeria. This is because all the items had mean scores that is within the acceptable benchmark of 2.5. According to the results, families face challenges

like pressure from extended families, peer influence, pressure from children, increasing cost of consumable items, increasing cost of services, lack of show of understanding from spouse and irregular income.

Discussion of Findings

This study investigated the financial coping strategies families adopt to survive the economic recession in Nigeria. The coping strategies were found to have ranged from basic needs such as food/feeding, clothing, shelter, education and transportation and investment strategy such as savings target, spending plan, credit management among others (see Tables 1 and 2). While some of the strategies could be commended as good financial management strategies, others have corresponding negative implications on the family wellbeing. For example increase in the number of working hours to rise more fund, stoppage of unnecessary journeys, family budget, savings plan and debt reduction plan could be considered as good financial management strategies, reducing the quality of food could have corresponding negative effect on the family wellness. Ahmed, Muddasar, and Perviaz (2012) had argued that good diet behaviour is essential for family wellness. The result of this study corroborate the submission of Ogbonne (2015) who notes that effective financial management strategies are very essential to both individual and the government and that the current fall in the price of oil, which is the major source of income for Nigeria suggests

that effective financial management strategies are needed. Kenyon and Borden (2004) corroboratively identify family budget, savings plan and debt reduction as good financial management approaches for families. The Center for Personal Financial Education (2004) in stressing the importance of planning in financial management notes that taking steps to plan before spending could help individuals and family manage their income well, not minding how little. The result is also consistent with the submission of Ologbon-Ori (2016) who argued that families need to during difficult times are so as to remain alive.

The financial coping strategies that could pose a challenge to the family well being include: reducing the number of meals per day, reduction in the quality of meal. The moderation in the feeding families could pose a challenge when poorly handled. This is because, good feeding is very essential to the wellness of the family. Hawkes (2013) notes that good eating behavior is essential for healthy living and families cannot afford to be exceptions. In recognition of the value of good diet, the 57th World Health Assembly of May 2004, approved the World Health Organization's (WHO) Global Strategy on Diet, Physical Activity and Health . The strategy aims to achieve energy balance and a healthy weight, limit energy intake from total fats and shift fat consumption away from saturated fats to unsaturated fats and towards the elimination of transfatty acids, increase consumption of fruits and vegetables,

and legumes, whole grains and nuts, limit the intake of free sugars, limit salt (sodium) consumption from all sources and ensure that salt is iodized. A reduction in the quality of meals consumed by families as a financial coping strategy can hardly achieve this goal. Withdrawal of support for extended family could affect the unity of the family because of the communal style that is identifiable with African setting. In most African setting, helping extended family members is perceived obligatory and any attempt to do otherwise could have a negative outcome on the wellness of the family. The result of this study is consistent with that of Sen and Ariizumi (2013), Murakami, (2012) Molly, Laveren and Deloof, (2010) Lusardi, and Mitchell (2014) who reported that changes in family income will lead to changes in family life style.

The result of the study on the limitations of the implementations of the family financial coping strategies have implications in the attainment of Sustainable Development Goals. It suggests that achieving the SDGs could pose a challenge if obstacles that limit families from achieving certain goals are not addressed. The result also suggests that efforts aimed at promoting the family wellness should also incorporate the challenges families face.

Conclusion

Based on the result of this study, the researcher concludes that families in Enugu have responded to the prevailing economic hardship in Nigeria by

coming up with different financial coping strategies like family budgeting, reduction in debt plan, savings plan, less attention to fashion among others. The researcher also concludes that even though families have come up with these financial coping strategies, there exist some challenges that limit their easy implementation. The contribution of this study is that it has provided data for understanding how families are striving to survive in the face of current economic hardship. Such an understanding is very fundamental in the study of families wellness and eventual implementation for the United Nations Sustainable Development Goals.

Recommendations

Based on the result of this study, the researcher makes the following recommendations:

- ❖ Families should continue to adopt financial coping strategies so as to survive the current economic hardship in Nigeria.
- ❖ The financial coping strategies on diet should be implemented with caution so as not to compromise the wellness of the family.
- ❖ The government of Nigeria at all levels should continue to adopt measures that will improve the financial wellness of families.
- ❖ Further researchers should determine the adoption of financial strategies along the line of demographic variables like family size, location, educational level of family head, income level of family head among others.

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