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Revalidation of the Keynes Absolute Income Hypothesis among Households in Choba Community

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Abstract **Original Research Article**

This study attempted to revalidate the Keynes Absolute Income Hypothesis among households in Choba Community in Obio/Akpor Local Government Area in Rivers State. This was done through examining the consumption expenditure pattern on food, communication, transportation, and clothing of households in the community. The study adopted the cross-sectional survey design with an estimated population of 48,081 inhabitants of Choba community. The sample size consisted of 100 samples drawn from the total population using the Taro Yamane technique. The data collected were analyzed via descriptive and econometric methods. The findings revealed that the marginal propensity to consume (MPC) is less than one (1), positive, and significant (MPC= 0.99), while the average propensity to consume is greater than the marginal propensity to consume (APC = 1.2). This result revalidates the Keynes Absolute Income Hypothesis. Thus, household current income determines household consumption expenditure in Choba Community. The exceptionally high MPC suggest a unique socio-economic condition, likely characterized by income constraints, an immediate need for consumption over savings and persistent increase in price of goods and services as in present day Nigeria. The study therefore, recommend among others that the Govemment should strengthen fiscal and monetary policies to curb inflation and stabilize the naira.

Keywords: Keynes absolute income hypothesis, absolute income hypothesis, households.

1. BACKGROUND TO THE STUDY

The Keynes absolute income hypothesis, also known as the Keynesian consumption function, was proposed by the economist John Maynard Keynes in his book "The General Theory of Employment, Interest and Money", which was published in 1936. The hypothesis is a fundamental part of Keynesian economics and provides insight into how changes in income affect consumption spending. Keynes developed his theory in response to the Great Depression, which had shown that aggregate demand could be insufficient, leading to high unemployment and economic recession. Keynes argued that consumer spending was the key driver of economic growth and that changes in income had a direct and predictable impact on consumption. The absolute income hypothesis states that consumption spending increases with an increase in income, but not at a proportional rate. According to Keynes, as income increases, a portion of it is saved rather than spent, leading to a marginal propensity to consume (MPC) that is less than one. Keynes also argued that it was the current level of income that drove consumption, which had significant implications for economic policies. The Keynesian model of consumption also helped explain why during times of economic hardship, consumers might reduce their spending more than would be predicted by their long-term income prospects.

After World War II, the theory of consumption occupied a central position in macroeconomic research. With consumption spending making up approximately two-thirds of peacetime GDP and with economists fearful that the economy would fall back into a condition of mass unemployment, this focus was natural (Palley, 2008). Keynes's ideas were widely adopted during the post-war period, and many governments used fiscal policy (changes in government spending and taxation) to manage aggregate demand and stabilize the economy. The effectiveness of these policies was subject to much debate and subsequent research, with some economists arguing that Keynes had oversimplified the relationship between income and consumption and that other factors, such as credit availability, expectations, and wealth, also played important roles.

Nigeria, with its diverse and dynamic economy, presents a compelling case for examining the relevance of the Keynesian absolute income hypothesis. As the largest economy in Africa, Nigeria's economic landscape is significantly influenced by its oil sector, which contributes a substantial portion of national income. However, the country is also characterized by significant income inequality, widespread poverty, and varying economic conditions across its different regions. These factors make Nigeria an intriguing setting for studying the relationship between income and consumption. Rivers State, located in the oil-rich Niger Delta region of Nigeria, is a particularly interesting area for such an examination. The region is notable for its substantial oil wealth, which has generated significant income, though it has led to environmental degradation, social unrest, and economic disparities. The impact of oil wealth on the economic and social fabric of the region and Rivers State in particular, provides a unique backdrop for exploring the applicability of Keynes's hypothesis.

Within Obio/Akpor Local Government Area in Rivers State, the community of Choba offers a microcosm for investigating the dynamics of income and consumption. This community reflects a blend of urban and rural characteristics, with varying levels of income, access to resources, and economic activities. This variability creates a rich environment for analyzing whether the Keynesian proposition holds in this setting. It represents a semi-urban area with diverse economic activities including small-scale businesses and service industries with a mix of traditional occupations. By analyzing the consumption patterns concerning income levels in Choba community, the study seeks to provide insights into the applicability of Keynes's theory in a contemporary Nigerian context. Specifically, it explored whether the relationship between income and consumption, as proposed by Keynes, persists amid the unique economic challenges and opportunities present in this community.

The applicability of this hypothesis in the Nigerian context, particularly in a specific region such as Choba in Obio/Akpor, Rivers State, remains underexplored. The lack of empirical studies examining how income levels influence consumption patterns in such heterogeneous environments poses a gap in the literature and limits our understanding of consumer behavior in developing economies. Thus, the primary problem this study seeks to address is whether the Keynesian absolute income hypothesis accurately describes the consumption behavior in Choba community.

1.1 Aim & Objectives of the Study

This study aims to revalidate the Keynesian absolute income hypothesis among households in Choba community. The specific objectives of the study are;

i) examine the nature of household consumption expenditure on food
ii) examine household consumption expenditure on transportation
iii) examine the relationship between household current income and consumption

1.2 Research Hypothesis

H_0: There is no significant relationship between household current income and household consumption expenditure of households in Choba Community

2. REVIEW OF LITERATURE

2.0 Theoretical Review

Marginal Propensity to Consume

The Marginal Propensity to Consume (MPC) is a key concept in economics that measures the proportion of additional income that an individual or household is likely to spend on consumption rather than save. In other words, it quantifies how consumption changes with a change in disposable income. As Keynes (1936) described it, "the marginal propensity to consume is the fraction of any increment of income which is devoted to consumption." This implies that the MPC reflects the relationship between changes in income and changes in consumption expenditure.

The MPC is crucial for understanding consumer behavior concerning income changes, as it indicates how changes in income levels can drive overall economic activity.

Keynes Absolute Income Hypothesis

The Absolute Income Hypothesis (AIH), which has an important role in the development of the subsequent theories, was developed by Keynes in 1936 in his seminal work "General Theory of Employment, Interest and Money". The statement below is the basics or the foundation of the AIH.

> *"The fundamental psychological law, upon which we are entitled to depend with great confidence both a priori and from our knowledge of human nature and the detailed facts of experience, is that men are disposed, as a rule and on the average, to increase their consumption, as their income increases, but not by as much as the increase in their income. (Keynes 1936, p.96)"*

As evident in his statement, we can see that the relationship between income and consumption was based on the 'fundamental psychological law'. Keynes relied almost entirely on intuition - like most other economists of his day, his methods included neither mathematical theory nor detailed econometrics, as he demonstrated the central principle of his consumption theory (Alimi 2013).

Furthermore, in his work on the relationship between income and consumption, he came out with the finding that income is the sole determinant of consumption (Tsenkwo, 2011). Keynes' seminal work on

consumption theory was characterized by a reliance on his astute "knowledge of human nature", garnered through observation and experience, rather than a rigorous application of rational-choice principles or empirical data analysis. While this intuitive approach enabled Keynes to develop a groundbreaking theory that positioned consumption at the forefront of macroeconomic discourse, it also left a significant theoretical void. Specifically, Keynes did not provide a formal microeconomic foundation for his theory, nor did he offer robust empirical evidence to support his assumptions. Instead, he drew upon anecdotal "detailed facts of experience" to substantiate his claims. This lacuna created an opportunity for subsequent generations of economists to build upon Keynes' foundation, developing and refining the microeconomic underpinnings of his theory, and subjecting his hypotheses to empirical scrutiny using newly available national income and product statistics. Through this process, economists sought to reconcile Keynes' intuitive genius with the formal rigor of economic modeling, thereby enriching our understanding of consumption behavior and its role in shaping microeconomic and microeconomic outcomes.

Features of Keynesian Absolute Income Hypothesis

By capturing the conjectures of the fundamental law, the absolute income hypothesis has these important features:

i. The Keynes' consumption function can be expressed in the following form

$C = a + bY$ ……..…… 2.1

Where C is consumption expenditure and Y is the current income, a is the intercept term that stands for autonomous consumption i.e. the amount of consumption expenditure at zero level of income. The parameter b is the marginal propensity to consume (MPC) which measures the increase in consumption spending in response to per unit increase in disposable income. Thus

$MPC = \Delta C/\Delta Y$……2.2

ii. That consumption is a stable function of income. Income and Consumption Relationship: A core tenet of the AIH is the direct relationship between current income and consumption levels.

iii. Short-Term Consumption Behavior: The AIH focuses on short-term consumption decisions driven by current income rather than future expectations. It is important to evaluate whether consumers in the economy respond to changes in their current income by adjusting their consumption immediately and directly.

iv. That the consumption expenditure increases or decreases with increase or decrease in income but non-proportionally. This non-proportional consumption function implies that in the short run average propensity to consume (APC) is greater than the MPC:

$APC > MPC$ ……2.3

And the marginal propensity to consume (MPC) is positive and less than unity:

$0 < MPC < 1$ ……2.4

2.2 Review of Empirical Literature

The relationship between income and consumption has been a central topic in economic research, both within Nigeria and globally. Scholars have made attempts to evidence the best option (from the bundle of theories) in determining the consumption function without a consensus (Olofin, 2001). But the theoretical foundation of the earliest scholars form the basic foundation for those evolving and attempting to determine the MPC, APC and the relationship between the two concepts, both in the short and long-run. The review examines key findings, methodologies, and the implications of these studies.

In the study by Alimi (2013), this study examined gross national income and household consumption expenditure for the period 1970 to 2011. All data collected from the World Bank National accounts, OECD National accounts and Ivan Kushnir's Research Center. The objective of the study was to test the Keynesian Absolute income hypothesis and analyze the Kuznets puzzle for Nigeria. The model of the data obtained was tested using the ordinary least squares. The results showed that MPC conforms to Keynes proposition that the MPC is less than one and positive (MPC = 0.73). However, it is not stable. The value of autonomous consumption is negative (-1.71). The study also found that the average propensity to consume didn't vary systematically with income as conjectured by Keynes, declines as income increases. It concluded that the AIH fits well for the Nigeria data.

Hall and Mishkin (1982), this study used panel data from the U.S. to explore the relationship between income and consumption over time. The authors found that while the short-term MPC was around 0.50, indicating that half of any income increase was spent immediately, the long-term MPC was closer to 0.90. Their findings suggested that while current income is important, other factors, such as expected future income, also play a crucial role in determining consumption patterns, leading to partial support for Keynesian theory.

Krueger and Perri (2005), this study explored the income-consumption relationship in Italy using household survey data. They found an MPC of 0.65, suggesting a moderate alignment with Keynesian theory. However, the study also noted that in periods of economic uncertainty, Italian households exhibited precautionary saving behavior, reducing the immediate impact of income changes on consumption. This highlighted the limitations of the Keynesian model in capturing all aspects of consumption behavior, particularly under conditions of economic instability.

Akekere and Yousuo (2010), this study investigated the impact of change in gross domestic product (income) on private consumption expenditure in Nigeria, from 1981 to 2010. It made use of the classical (OLS) simple regression analysis. The researchers' objectives were; to examine the impact of gross domestic product on consumption expenditure and to determine the order of integration of consumption expenditure and gross domestic product, results agree with researchers' theoretical expectation of the existence of a positive significant impact of Gross Domestic Product (income) on Private Consumption Expenditure with a slope of 0.67. This is consistent with Keynes rule of the marginal propensity to consume being less than one (0<MPC<1). The unit root test (order of stationary) also shows a non-existence of unit root at their level. The p-value and the coefficient of determination (R2 = .9838), implies that gross domestic product explains 98.4% of private consumption expenditure. Hence, there is a significant relationship between gross domestic product and private consumption expenditure. Researchers' therefore recommended a policy in concluding remarks.

The Study by Alice (2013) presents a consumption function for Kenya for the period 1992 to 2011, estimating total household consumption expenditure against total income. Its objective was to investigate how consumption expenditure is determined by income according to Keynes' Absolute Income Hypothesis (AIH) for the case of Kenya. The model was tested by ordinary least squares over the period 1992 to 2011. The data was obtained from the World Bank database. The results showed that in Kenya, consumption is determined by income and the AIH was found to work well for the case of Kenya (MPC=0.12). The author recommends that the government should implement agricultural policies to improve the income base of most households and eradicate poverty and low incomes. The research is significant as it adds to the body of knowledge on the validity of the theories of consumption functions that have been propagated, especially by Keynes, for the case of a developing country like Kenya.

Onanuga Abayomi and Oshinloye Micheal and Onanuga Olaronke (2015), the study estimated consumption function for Nigeria applying strictly "Absolute Income" hypothesis as introduced by Keynes. Formulating a model that specifies real consumption as a stable function of real income while applying the Granger representation theorem so as to identify short and long run relationship. The data set used are the Gross domestic product by type of expenditure (proxy of income) and household consumption expenditure (both at constant 2005 prices - naira) for the period 1970-2011. The result are the marginal propensity to consume (MPC) is 0.64 and Nigeria's autonomous consumption is estimated to be 1.93 trillion naira. Since Keynes emphasizes short run consumption function, the short run MPC (0.78) is less than APC (0.88), which makes it non-proportional, and thus complies with Keynes theoretical position but defies the long run consumption function of being proportional to APC as 0.64 is not equal to 0.88.

Zehiwot Hone and Senapathy Marisennayya (2019), the main objectives of this research study was to assess and to evaluate consumption expenditure of the households at Debremarkos town in Amhara region of Ethiopia. A total of 100 respondents, were randomly selected to administer the interview schedule for data collection. The data were described using means and histogram. The multiple linear regression model was applied to identify determinants for consumption expenditure of a household. The descriptive result showed a minimum monthly consumption level of 683 Birr and maximum is 16,433 Birr. The mean monthly consumption level is 5777 Birr. It study found that households spend more for food and next to other basic needs like cloth. The econometric model pointed disposable income and family size are directly related to consumption; and saving amount is negatively related with consumption. Disposable income is also found to be a more determinant factor to determine household consumption. Finally, the study recommends that a household should practice family planning and aware to develop saving habit rather than spending more to irrelevant activities. Across both Nigeria and the globe, empirical studies consistently show that income is a significant determinant of consumption, as posited by Keynes' Absolute Income Hypothesis.

2.3 Summary of Literature/ Identification of Gap

Despite the significant body of literature on consumption theories, critical gaps remain. Many studies have focused on the applicability of these theories in advanced economies or at macroeconomic levels, often neglecting localized or context-specific analyses in developing nations like Nigeria. Moreover, while there have been empirical examinations of the relationship between income and consumption in Nigeria, such studies often employ aggregate data, overlooking microeconomic factors and regional peculiarities. Specifically, the interplay between income and consumption within semi-urban settings like Choba community, characterized by diverse income levels and mixed economic activities, remains underexplored. This study seeks to address these gaps by providing localized insights into the relationship between household income and consumption expenditure in Choba community.

3. STUDY METHOD

3.1 Study Area

Choba town is located between longitude 600º54'20'' east and Latitude 400º53'15'' north of the equator. This peri-urban town is one of the host communities of the unique University of Port Harcourt. The oldest campus of the University; Choba Park Derives its name from the town. Choba town is situated in Obio/Akpor Local Government Area of Rivers State. It is located at the peri-urban area of Port Harcourt,

20kms northwest of the garden city of Nigeria. It is about half an hour's drive from the metropolitan city of Port Harcourt. It lies strategically along the popular east- west road at the intersection with NTA Mgbuoba road. It shares land border with Alakahia in the east; Rumualogu in the south; all in Obio/Akpor Local Government Area. In the north, it shares land border with Aluu, a peri-urban town in Ikwerre Local Government Area of Rivers state.

3.2 Population of the Study

The population of the study consist of an estimated 48,481 inhabitants of Choba community within the Obio/Akpor Local Government Area.

3.3 Sampling & Sample Size Determination

The cross sectional survey research design was adopted to gather data from members of the selected communities through questionnaires and interviews. The study employs the Taro Yamane Sample Size determination technique.

$$n = N/1+N(e)^2$$

Where;
n= Sample size
N= Total population= 48,481
e= margin of error (10% for this study=0.1)
n=100

A simple random sampling technique was utilized to select households from the selected community. The primary data were collected through open-ended structured questionnaire (offline and online) administered to sample households from the selected community. These questionnaires are designed to capture essential information on household demographics, household income and household consumption expenditure.

3.4 Data Collection & Sources

Primary data were predominantly used for the study. The aforementioned data were collected using well-structured questionnaire which were administered to the target population. Other sources of data employed for the study include but is not limited to; published articles, statistical bulletins from recognized academic corporations, text books etc.

3.5 Research Design & Data Analysis Technique

The descriptive-analytic research design was used for this study. According to Nwankwo (2011) descriptive- analytics design method shall be used for this study. A descriptive analytic design is a category of descriptive survey study in which the researcher collects data from a large sample drawn from a given population describes certain features of the sample as they are at the time of the study, and makes use of hypotheses and appropriate statistical tools to carry a comparative analysis of selected variables.

3.6 Model Specification

The study model specification followed the Keynes's AIH which is stated as:

$C = a + bY.$

Where: C = Consumption Expenditure
a = Autonomous Consumption
b = Marginal Propensity to Consume
Y = Current Income

Thus, the model was stated in 3 different forms (that is functional, mathematical and econometric) as follow:
The functional form of the model is:

$HCE = f(HCI)$ …… (3.1)

The Mathematical form of the model is:

$HCE = a + b\,HCI$…… . (3.2)

A priori Expectation: $a > 0, b > 0$

Where:
HCE = Consumption Expenditure *measured by* Household Consumption Expenditure
HCI = Current Income *measured by* Household Current Income
The econometric version of equation 3.2 is specified introducing the disturbance term which helps to explain the inexact relationship among the variables.

The Econometric specification of the model is:

$HCE = a + bHCI + \mu t$ ……..…… (3.3)

Where: μt = disturbance term, which is a random (stochastic) variable that has well defined probabilistic properties.

3.7 Data Analysis Tools

As stated earlier, both descriptive and inferential statistics were employed for the study. The descriptive statistical methods included the use of frequency distribution, mean and percentages to describe the data gathered from households while the method of Ordinary Least Square (OLS) estimation was employed for the econometric analysis and this was facilitated by Eviews statistical package. However, other econometric diagnostic test were also conducted.

4. RESULTS & DISCUSSION

In this section, the various results and findings of the study shall be expounded inline with stated objectives in section (1.1).

4.1 Household Consumption Expenditure on Food

In line with objective one of this study, the results of the respondent's consumption distribution on food is shown in figure 4.1 below.

Figure 4.1 Food Consumption distribution of respondents

As seen from the above pie, the household in Choba spend 93% of the income on food, and 7% is either saved or spent on other items. The results indicate that food consumption represents the most fundamental variable component of household expenditure in Choba. A significant majority of respondents (93%) reported to have spent on food, while 7% did not. Expenditure on food ranged from ₦0 to ₦500,000. The high mean expenditure (₦66,006.77) and substantial standard deviation (₦85,281.12) underscore the disparities in food spending between low- and high-income households. For households with higher expenditures, the variability could be attributed to preferences for premium/imported food products or larger household sizes. The findings thus, suggest a strong income elasticity of food expenditure.

4.2 Household Consumption Expenditure on Transport

In line with objective two of this study, the results of the respondent's consumption distribution on transportation is shown in figure 4.2 below.

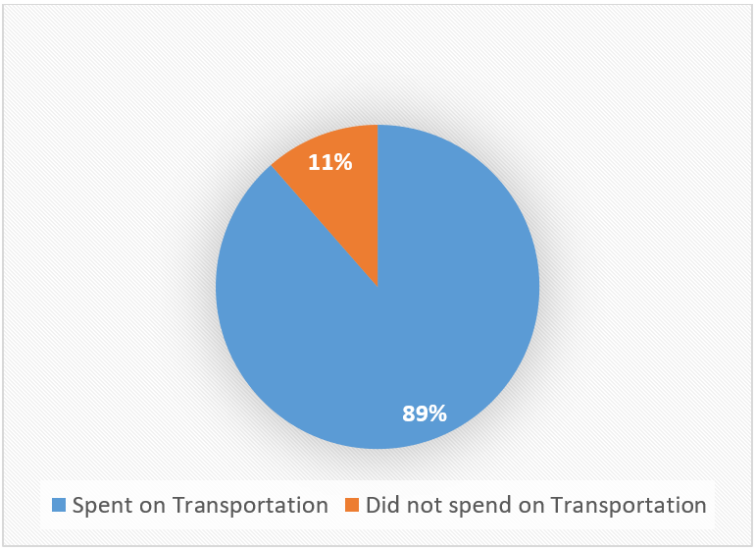

Figure 4.2 Transportation expenditure distribution of respondents

As seen from the above pie, the household in Choba spend 89% of the income on transportation, and 11% is either saved or spent on other items. Transportation expenditure exhibits considerable variation, reflecting diverse household mobility needs and income levels. The study revealed that 89% of respondents spent on transportation while 11% didn't, with expenditures ranging from ₦0 to ₦310,000. The mean expenditure of ₦33,519.79 and a standard deviation of ₦52,519.40 indicate the presence of outliers, likely linked to private vehicle ownership or long commuting distances. The findings also highlight the dual role of transportation as both an essential service for daily activities and a potential discretionary expense for

higher-income households who invest in private mobility.

4.3 Examine the relationship between Household current income and Consumption

The examination of the relationship between household current income and consumption entails the use of inferential statistics, hence, we shall restate the hypothesized relationship between both variables the basis of which we can either accept or reject same.

Restatement of Hypothesis

H_0: There is no significant relationship between household current income and household consumption expenditure of households in Choba Community.

4.3.1 Short-Run Regression Analysis

The short-run regression output in shown in table 4,1 below.

Table 4.1: Short-run Regression Result

Dependent Variable: *HCE*				
Method: Least Squares				
Sample: 1 96				
Included observations: 96				
Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
C	23236.85	8052.907	2.885523	0.0048
HCI	0.990252	0.030970	31.97502	0.0000
R-squared	0.915801	Mean dependent var		161364.1
Adjusted R-squared	0.914905	S.D. dependent var		228270.5
S.E. of regression	66588.81	Akaike info criterion		25.07107
Sum squared resid	4.17E+11	Schwarz criterion		25.12450
Log likelihood	-1201.412	Hannan-Quinn criter.		25.09267
F-statistic	1022.402	Durbin-Watson stat		1.894914
Prob(F-statistic)	0.000000	APC		1.2

Source: Author's Computation

The above output can be rewritten in the actual econometric form thus;

$HCE_i = 23236.85 + 0.99HCI_i + U_i$

Interpretation of Result

The interpretation of the coefficients or parameter estimates is based on the definition of the parameter estimates already provided in the theoretical model, signs of the coefficients, and the magnitude of the coefficients. An interpretation on the value of the Correlation Coefficient, Coefficient of determination (R^2), and the probability of the F-statistic would be given.

Coefficient of Household Current Income (*b*): Also known as the Marginal Propensity to Consume of sampled households. The coefficient appeared with a positive sign. This confirms to the earlier stated *a priori* expectation. Moreover, from the magnitude of the coefficient, we can also state that the Marginal Propensity to Consume is 0.99.

Correlation Coefficient (R): The value of correlation coefficient (R) statistics is approximately 0.96. This indicates a very strong and positive correlation between households consumption expenditure and households current income.

Coefficient of Determination (R^2): The coefficient of determination (R^2) statistics is approximately 0.92. This implies that 92% of the variation in household consumption expenditure among households in Choba Community for the month of October was explained by their current income. The remaining 0.8% variation in household consumption expenditure was explained by other variables not included in the model.

Overall Significance Using Prob (F-statistic): The value of the Prob (F-statistic) is 0.0000. The value of the Prob(F-statistic) is less than 0.05 (0.0000 < 0.05). This indicates an overall Significance of the model. Thus, we can conclude that the Household Consumption Expenditure model for Households in Choba Community for the period is statistically significant.

The result displayed showed that the p-value is less than 0.05 (p-value = 0.0000; 0.000 < 0.05). This suggests a strong evidence against the null hypothesis. Therefore, the null hypothesis is rejected and the alternative hypothesis is accepted. Hence, there is a significant relationship between household current income and household consumption expenditure of households in Choba Community.

4.3.2 Diagnostic test

Heteroskedasticity Test

Heteroskedasticity occurs when the variance of random disturbances term around its zero mean is not constant or changes with the explanatory variable of the model. It causes the variance of Ordinary least square (OLS) parameter estimates be large and hence less precise. Although the presence of heteroskedasticty does

not affect unbiasedness and consistence properties of OLS estimators.

Table 4.2: Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	0.002708	Prob. F(1,94)	0.9586
Obs*R-squared	0.002765	Prob. Chi-Square(1)	0.9581
Scaled explained SS	0.019657	Prob. Chi-Square(1)	0.8885

Source: Author's Computation

Hypothesis

H_0: There is homoskedasticity

The result shows that the P-value of F-statistic (0.9586) is above the chosen level of significance (0.05), hence we fail to reject the null hypothesis. Meaning homoskedasticity (constant variance) is present. Therefore, there is no problem of heteroskedasticty.

Model Specification Test

Table 4.3 Ramsey RESET Test

Specification: HCE C HCI			
Omitted Variables: Squares of fitted values			
	Value	Df	Probability
t-statistic	0.360630	93	0.7192
F-statistic	0.130054	(1, 93)	0.7192
Likelihood ratio	0.134155	1	0.7142
Source: Author's analysis Eon Eviews			

The Ramsey RESET (Regression Equation Specification Error Test) is a diagnostic tool used to detect potential specification errors in a linear regression model. It helps identify issues like omitted variables, incorrect functional forms, or non-linear relationships not captured by the model. From the result in table 3.16, the p-value of both the t-statistic and F-statistic (0.7192) are greater than 0.05 (0.7192>0.05). Thus, there is no evidence of model misspecification.

DISCUSSION OF FINDINGS

The findings of the study revealed that the Marginal Propensity to Consume is positive, less than one and significant (MPC= 0.99; 0<0.99<1). While, the Average Propensity to Consume is greater than the Marginal Propensity to Consume (APC= 1.2; 1.2>0.99). The result of the MPC revalidates the Keynes' Absolute income hypothesis; that household current income is a determinant of household consumption expenditure. However the results for MPC, though positive and less than one, is significantly large. This has serious policy implications for saving, capital formation, and investment in the community. The value of the Average Propensity to Consume shows that although household current income determines household consumption expenditure of households in Choba community, households consume more than their income. This could imply that households may be drawing down savings, may be grants from parents, friends and relatives or borrowing to finance consumption.

Furthermore, this study made use of descriptive statistics to describe the pattern of household consumption expenditure on food, communication, transportation and clothing. The results indicate that food consumption represents the most fundamental variable component of household expenditure in Choba. A significant majority of respondents (93%) reported to have spent on food, while 7% did not. Expenditure on food ranged from ₦0 to ₦500,000. The high mean expenditure (₦66,006.77) and substantial standard deviation (₦85,281.12) underscore the disparities in food spending between low- and high-income households. For households with higher expenditures, the variability could be attributed to preferences for premium/imported food products or larger household sizes. The findings thus, suggest a strong income elasticity of food expenditure.

Transportation expenditure exhibits considerable variation, reflecting diverse household mobility needs and income levels. The study revealed that 89% of respondents spent on transportation while 11% didn't, with expenditures ranging from ₦0 to ₦310,000. The mean expenditure of ₦33,519.79 and a standard deviation of ₦52,519.40 indicate the presence of outliers, likely linked to private vehicle ownership or long commuting distances. The findings also highlight the dual role of transportation as both an essential service for daily activities and a potential discretionary expense for higher-income households who invest in private mobility.

Communication expenditure, though less variable than food and transportation, emerged as a growing necessity for households in Choba. The study found that 98% of respondents reported spending on communication, with expenditures ranging from ₦0 to ₦100,000. The mean expenditure was ₦10,272.92, and the standard deviation of ₦16,322.86 suggests a

relatively modest spread compared to other categories. The near-universal spending on communication reflects the increasing reliance on mobile phones and internet services, which are becoming indispensable for social, educational, and economic activities.

The finding of this study, which reveals a marginal propensity to consume (MPC) of 0.99, is first, ultimately in line with the Keynesian view that consumption is closely tied to income levels, albeit typically with an MPC of less than one. The high MPC observed in the Choba Community suggests a context where most additional income is consumed, leaving little or nothing for savings. Onanuga, Oshinloye and Onanuga (2015) lends credence to the finding when they reported an MPC of 0.64 for Nigeria during 1970-2011, demonstrating the applicability of Keynes' hypothesis to Nigerian households. Although, the MPC in that study was lower, reflecting a more moderate consumption behavior compared to the Choba sample.

Similarly, Tsenkwo (2011) also added that Nigeria's MPC during 1980-2004 was less than one and stable, indicating that while Keynesian principles hold, variations in MPC across time and regions are influenced by specific economic conditions. In the same vein, international studies such as one conducted by Alice C Ofwona (2013) for the period 1992 to 2011, found that the MPC varied with income levels, further reinforcing the universality of Keynes' framework across developing economies. However, the Choba study's exceptionally high MPC suggests unique socio-economic conditions, likely characterized by factors not included in this study a such as income constraints, an immediate need for consumption over savings and persistent increase in price of goods and services in Nigeria.

5.0 CONCLUSION AND REMARKS

Based on the fact that the relationship between household consumption expenditure and household current income in Choba Community is positive and significant; Food and transportation have shown the highest variability, reflecting their status as essential needs with different levels of affordability and necessity across households; Communication and clothing expenditures highlight the distinction between basic and discretionary spending and the fact that while communication is becoming increasingly essential, clothing remains a periodic or luxury expense for many households, the study concludes that the Keynes Absolute Income Hypothesis has been revalidated among households in Choba Community in Obio/Akpor Local Government Area of Rivers State.

It is therefore recommended that:

1. Government should strengthen fiscal and monetary policies to curb inflation and stabilize the naira, to ensure households in the Choba community retain more purchasing power.
2. Recognizing the high reliance on consumption at the expense of savings, targeted job creation programmes, especially in the informal sector of Choba community, should be implemented. These programs could provide consistent income streams, reduce the reliance on debt, mitigate economic vulnerabilities, and enhance household economic resilience.
3. The federal government should invest more in transportation, particularly the rail transport, and encourage farmers to reduce the cost of food and transportation in the community. This is because food and transportation has been revealed to be essential.

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