

## ECONOMIC CHALLENGES AND CONSUMER PURCHASING BEHAVIOUR: AN INSIGHT FROM ILORIN METROPOLIS IN KWARA STATE, NIGERIA<sup>1</sup>

### ЕКОНОМСКИ ИЗАЗОВИ И ПОТРОШАЧКО ПОНАШАЊЕ: АНАЛИЗА ГРАДСКОГ ПОДРУЧЈА ИЛОРИНА У САВЕЗНОЈ ДРЖАВИ КВАРА, НИГЕРИЈА

Abdulraheem Mulikat<sup>2</sup>

Department of Marketing, University of Ilorin, Ilorin, Nigeria


**Abstract:** The Nigerian economy is witnessing significant economic challenges that may affect businesses, individuals and households. These challenges include, exchange rate, interest rate, economic instability and inflation which may have consequent effect on consumer purchasing behaviour. The objective of the research work is to assess the effect of these economic challenges on consumer purchasing behaviour: An insight from Ilorin metropolis in Kwara state Nigeria. Descriptive survey design was adopted for the study and the population comprised of individuals from Ilorin Metropolis. However, the Cochran formula was use to arrive at a sample size of 385 respondents out of which 367 respondents filled and returned the questionnaire. A structured questionnaire was designed on a five-point likert scale to indicate the degree of respondent's agreement. One hypothesis was tested using multiple regression analysis. Statistical analyses such as ANOVA, regression, and correlation coefficient were conducted, revealing significant evidence of the influence of economic challenges on consumer purchasing behaviour. The null hypothesis stating that economic challenges have no significant effect on consumer purchasing behaviour was rejected which implies that economic challenges have effect on consumer purchasing behaviour. The study concluded that economic challenges significantly affect consumer purchasing behaviour which has led to a change in consumption pattern, spending habit and purchasing decision. It was recommended that individuals in Ilorin metropolis should develop strategies to cope with the present economic situation and businesses should offer value for money goods and services to meet up with the changing consumer needs. The findings provide empirical evidence of the effect of economic challenges on consumer purchasing behaviour, filling a knowledge gap in the existing literature.

**Keywords:** Economic challenges, Consumer Purchasing Behaviour, Inflation, Consumer Spending Economic Instability.

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<sup>2</sup> [mailmulik@gmail.com](mailto:mailmulik@gmail.com), ORCID ID 0009-0001-4244-6321

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**Апстракт:** Нигеријска економија се тренутно суочава са значајним економским изазовима који утичу на предузећа, појединце и домаћинства. Ови изазови обухватају осцилације девизног курса, високе каматне стопе, економску нестабилност и трајну инфлацију, који имају последичан утицај на потрошачко понашање. Циљ овог истраживања био је да се процени утицај наведених економских изазова на потрошачко понашање, на основу података прикупљених у градском подручју Илорина, у савезној држави Квара у Нигерији. У истраживању је примењен дескриптивни анкетни дизајн, а популацију су чинили појединци који живе у Илорину. Применом Кокранове формуле, утврђена је величина узорка од 385 испитаника, од којих је њих 367 правилно попунило и вратило упитник. Структурирани упитник је био заснован на петостепеној Ликертовој скали ради мерења степена слагања испитаника са изнетим тврдњама. Једна хипотеза је тестирана применом мултипле регресионе анализе. Коришћене су статистичке технике као што су ANOVA, регресија и коефицијент корелације, које су показале значајне доказе о утицају економских изазова на потрошачко понашање. Нулта хипотеза, која је гласила да економски изазови немају значајан утицај на потрошачко понашање, одбачена је. То указује да економски изазови заиста имају значајан ефекат на понашање потрошача. Истраживањем се дошло до закључка да економски изазови у великој мери утичу на промене у обрасцима потрошње, навикама у трошењу и одлукама о куповини. Препоручено је да би појединци у Илорину требало да развију стратегије за прилагођавање тренутним економским условима, док би предузећа требало да понуде производе и услуге који пружају адекватан однос цене и вредности, како би одговорила на променљиве потребе потрошача. Налази овог истраживања пружају емпиријске доказе о утицају економских изазова на потрошачко понашање, попуњавајући празнину у постојећој литератури.

**Кључне речи:** економски изазови, потрошачко понашање, инфлација, потрошња потрошача, економска нестабилност.

**JEL Classification:** M31.

## INTRODUCTION

The international community struggles with complex economic challenges that have brought about hardship to citizens and raised the issue of economic crisis which is a major concern on societies. Individuals are burdened by the extend of hardship and economic crises in the society which has affected their ways of lives (Ibukunolu, 2024). In the recent years the Nigerian economy is faced with several challenges that have affected the society at large. These challenges range from exchange rate, interest rate, inflation rate and economic instability to unemployment among others, these have affected the behaviour of consumers in many areas. Official statistics from the National Bureau of Statistics show a marked jump in headline and food inflation during 2023–2024, reflecting a sharp erosion of purchasing

power for many households across urban and peri-urban centres (National Bureau of Statistics [NBS], 2024). It is reported that consumers have modified their behaviour towards shopping especially in the last few years because the economic situation has experienced notable changes nationwide. As a result of this economic condition, consumer buying behaviour has changed and their purchasing power has been reduced due to financial issues. Consumers now focus on goods and services that are essential for survival (Shvets, 2022). Nigeria has adopted a floating exchange rate and the financial market is connected to the global market which exposes the country to speculative pressures there by leading to monetary policy authorities making Nigeria to face tremendous challenges of more imported inflationary pressures (Babagana, 2016). High interest rate increases the cost of houses, cars, motorcycles among others decreasing the purchasing power of consumers. Crisis in the society has been linked to economic instability leading to different changes in the lives of consumers. Consumers have noticed great changes in their economic behaviour especially in the area of buying goods and services (Oleksandr et al., 2022). Inflation is another economic factor that can affect consumer purchasing behaviour. The prices of goods and services have continued to increase from time to time compelling consumers to adjust their spending habits leading to changes in preferences for goods and services (Anna & Lucas, 2024). Thus, consumer purchasing behaviour in times of economic challenges is a significant area of study, especially in the last few years with the numerous disorders and fluctuations nationwide.

The economic challenges confronting Nigeria have brought about uncertainty and instability in both the consumer and industrial market, making it difficult for business organisations to forecast and respond to changing consumer behaviour. Despite knowing that understanding how consumers make purchases is very important in times of economic challenges, there are still few studies on this area in the Nigerian context, particularly in Ilorin Metropolis. The study aims to fill this gap by investigating the effect of economic challenges on consumer buying behaviour in Ilorin Metropolis. The study will provide insight into the effects of exchange rate, interest rate, inflation and economic instability on consumer purchasing behaviour.

In light of the above, the study investigates how economic challenges can influence consumer purchasing behaviour with specific reverence to Ilorin metropolis.

## 1. LITERATURE REVIEW

Looking at rising inflation, exchange-rate volatility, and higher interest rates these forces constitute a set of economic challenges that constrain real incomes, raise the cost of living, and alter the incentives that guide household spending decisions. Journalistic and empirical accounts from 2023–2025 document not only macro aggregates but also the human consequences: dwindling affordability of staples, sharp increases in energy, transport costs, and widespread changes in consumption patterns as families prioritise essentials (Okafor & Yusuf, 2023).

**Exchange Rate:** it can be seen as a currency against another currency in foreign exchange market. It is used to validate the price of one currency as stated by other currencies. As exchange rate fluctuate, it has a direct regulating influence on export and import activities that take place between countries. In most cases the foreign exchange regulates the exchange rate. Exchange rate can bring about multiple of effect on numerous core elements which include productivity, consumption, price, export among others. It is made up of three different policies, we have floating, fixed and pegged exchange policies. (Yuxin, 2020). Exchange-rate instability is a strong driver of behavioural shifts. Nwagbala et al., (2023) documented how the depreciation of the naira increased the prices of imported goods, forcing households to rely more heavily on locally sourced products. This effect is evident in consumer durables and processed foods, where foreign content is high.

**Interest Rate:** this is a key variable capable of affecting the rate and pattern of economic growth given its influence on the level of productivity of investment and the level of disposition of saving. In the Nigerian context the interest rate is the most important aspect that affects the cost of borrowing. This borrowing serves as a source of financing productivity and businesses that leads to economic growth. Interest rate can also provide understanding of future economic and financial market activities, it can also serve as an essential element of total return on investments and can affect the total return on savings (Adama, 2024)

**Economic instability:** It causes significant uncertainties and fluctuations in an economy which are capable of impeding the wellbeing and growth of a nation. When economic instability persists, it can have long-term effect on the development of a nation. This situation can lead to unemployment, and restricted growth for businesses and individuals and it can also hinder investment opportunities thus affecting the stability of the economy. When a nation is having an unstable economy, the economy-

naturally following a linear development is transformed, assuming a cyclical trend (Giovanni, 2017).

**Inflation:** it has to do with the continuous and persistent increase in the price of goods and services in an economy. Different countries across the globe experience inflation or though it differs in time, causes, duration among others. Countries whether underdeveloped, developing or developed experience increase in the prices of goods and services, for some it may be temporary fluctuations and for some it may be continuous and consistent. Inflation can lead to a reduction in the currency's purchasing power (David, 2024). High inflation weakens household purchasing power, compelling consumers to switch to cheaper brands and adjust their overall consumption levels. In addition, Okafor and Yusuf (2023) found that inflationary trends significantly influence urban households' purchasing patterns, particularly in states like Kwara where income levels are unstable. More recently, Adegbite (2024) emphasised that persistent inflation in Nigeria has worsened consumer welfare, creating new patterns of frugality, brand switching, and reduced savings among middle- and low-income earners.

**Consumer Purchasing Behaviour:** Consumer buying behaviour is the way in which buyers act, functions, and respond to different circumstances involving the buying of goods or services or the acknowledgement of an ideal. The consumer buying behaviours process consists of a number of activities involving people and experiences (Pinki, 2014). Buyers' lives are in a steady condition of flux. As every generation develops and matures more, it might receive distinctive arrangements of qualities and ways of life than the past era. The behaviour of consumers is the investigation of the procedures the buyers use to settle on what they buy, and additionally the utilization of the goods and services bought. The behaviour of consumer also incorporates the examination of elements that influence buyer choice and usage of good or service. The capacity to make a good or service and to convince the market to purchase this offering rather than competitors' offerings depend on understanding the consumer purchasing procedures. Understanding the behaviour of consumer will decrease the level of uncertainty when developing a marketing mix (Aulia et al., 2025).

Consumer purchasing behaviour is inherently elastic to macroeconomic conditions: when prices, exchange rates, and borrowing costs change substantially, households reallocate budgets, substitute across goods, defer durable purchases, and adjust the frequency and channels through which they shop. At the micro level, these decisions are shaped by income constraints

(real wage changes), price expectations, and perceived economic risk. Recent empirical studies in the Nigerian context confirm that elevated inflation markedly reduces discretionary spending, pushes consumers toward lower-priced or generic alternatives, and increases reliance on informal or local sourcing for everyday items. In short, macroeconomic shocks translate quickly into altered purchase quantities, brand loyalty, channel choice (e.g., more informal market purchases), and timing (postponement of non-essential purchases) (Wasa, 2025). As the cost of borrowing rises, households with access to credit face higher monthly servicing burdens and therefore reduce consumption smoothing (less ability to borrow against future income). Businesses, facing higher input costs and exchange-rate pass-through, may reduce promotions, trim product lines, or ration supplies all of which change the choice architecture confronting consumers. These mechanisms jointly mean that macroeconomic variables (inflation, exchange rate, interest rates) are not just background statistics: they become active determinants of everyday purchasing behaviour, from what families buy to where and how often they shop (Adebayo & Ojo, 2021).

**The Buyer Behaviour Model:** This theory was developed by John A. Howard and Jagdish N. Sheth in 1969. The theory is also known as Howard and Sheth Model. It provides an understanding of how the different marketing, social and mental factors affect buyer decision (Foxall, 1990). The aim of the writers is to create a model with capability of carrying out a wide set of purchasing activities, that is why the writers preferred to use the word buyer over consumer so that they don't ignore commercial purchases (Loudon & Della, 1993). The input variables are provided from different sources because they are conservational stimuli that consumers are exposed to. Vital stimuli are the actual elements of a product and brand that the consumer deals with (Loudon & Della, 1993), whereas representative stimuli deal with making available the product or brand the way marketers have developed it through creating awareness and monitoring the buyers indirectly (Howard & Sheth, 1969). The Social stimuli as to do with family, peers and reference group. The effect of this stimulus is assumed by the buyer before they initiate the decision process. Mediating factors can be categories into two: Perceptual constructs, and learning constructs. Perceptual construct include:

- i. Information Sensitivity: deals with how well the buyer drives stimulus information.
- ii. Perceptual bias: it has to do with how data are modified to match the buyer existing data.

iii. Information Search: The active search for data on consumption bases.

These perceptual advances assist in controlling, processing and adjusting the stimulus gotten. The model develops is construct mainly from learning theory concepts (Loudon & Della, 1993), in essence the six (6) learning constructs were discussed:

- i. *Motivative*: it signifies either specific or general objectives to drive accomplishment.
- ii. *Suggested Set*: it deals with buyers' assessment to utilise decisions that will lead to achieving his or her aims.
- iii. *Decision mediators*: It deals with the psychological values for assessing purchasing alternatives.
- iv. *Predispositions*: it is an orientation toward brands in the suggested set stated as a disposition toward the brands.
- v. *Inhibitors*: Conservational influences such as scarce resources (e.g. time or budget) which regulate the consumption choice.
- vi. *Satisfaction*: It provide feedback elements from after sale reflection applied on up-to-date prior selections.

This practise of learning helps to show the extent to which the buyer will consider their future purchases as well as look for new data. Howard and Sheth (1969) were of the opinion that in making decisions buyer differs from one another which is in line with the influence of the attitude towards the accessible brands; this goes down to the extend by which the buyer is familiar with the product class. In case of situations where the product is strange to the purchaser, then it is expected that they engage in extended problem solving (ESP). When such situations arise, it takes buyer a long time before making decision on which product to buy or not. As the buyer becomes more familiar with the product the process of buying becomes less as the buyer takes limited problem solving (LPS) and finally routine problem solving (RPS) (Foxall, 1990).

There is also an exogenous variable that is made up of several external variables that is capable of influencing decisions. The extend to which these factors depend on the individual buyer is not stated by Howard and Sheth. However, they stated that exogenous variables are made up of buyer history up to the commencement of the period of observation. On the right part of the model, it indicates the buyer response based on five (5) output variables which shows the various stages to make purchase:

- i. Attention: the amount of data consumed by the buyer.
- ii. Comprehension: the understanding and measures of using the data.
- iii. Attitudes: how a buyer value a brand in times of meeting up with the buying intention.
- iv. Intention: evaluation of the product that the buyer will buy.
- v. Purchase behaviour: the attitude of the buyer towards purchase.

This theory discusses how various factors can influence consumer purchasing behaviour.

**Empirical Reviews:** Nataliia and Olha (2025) work on the title ‘Marketing in Times of Economic Instability: Consumer Behaviour and Effective Adaptation Strategies. The study examines the marketing strategies changes of organisation during economic crises and also identifies operational marketing strategies that help business organisation to maintain their competitive positions. The study used general scientific methods of cognition which include analysis, synthesis, generalization, and systematic approach. The result reveals that economic instability significantly affects consumer purchasing behaviour, making consumers more thoughtful in making their choices and primarily get goods that are essential. The result also shows that adaptability is the key factor for effective marketing during crises. It was concluded that developing a marketing strategy should be based on the principles of transparency, social responsibility and continuous engagement with the targeted audience.

Olatunbosun et al., (2025) conducted research on the effect of inflation and exchange volatility on consumer behaviour in Nigeria. Descriptive research and survey were used to get the data needed through Google forms. Purposive sampling technique was adopted to select 300 respondent who were actively engaged in the consumer market. A structured questionnaire was used to elicit the information needed and chi-square test and Pearson correlation was applied to analysed the data collected. The result revealed that inflation reduces the purchasing power of consumers making households to go for products that are essential and also using coping method like going for less expensive products. The study concludes that inflation and exchange rate has significant effect on consumer buying behaviour.

Theresia and Hanna, (2025) examined the effects of crisis-induced inflation on purchasing and consumer behaviour in Germany. Respondents were recruited in two different ways via several channels, which include social networks, emails, specific forums, referrals from friends and links and the local



publics. Questionnaire was used to gather information from 281 respondents and Smart PLS4 was used to analyse the collected data. The findings show that the respondent frequently engage on financial planning behaviours and both product scarcity and financial planning significantly affect consumer stress level, financial planning and purchasing behaviour. The study concludes that crisis induce inflation on the purchases and consumer behaviour in Germany.

Okoro et al., (2021) conducted research on economic recession and its effect on consumer buying behaviour towards imported foods in south-east region of Nigeria. The objective was to examine the economic recession influence on consumer buying behaviour towards imported foods. The research design adopted was descriptive survey and the Conchran formula was used to arrive at a sample size of 384 respondents. The instrument for collecting data was a structured questionnaire, correlation analysis and ordinary least square regression technique was employed to analyse the data. The result revealed that economic recession has a significant influence on consumer brand switching behaviour, economic recession has a significant influence on price conscious behaviour and it has significant influence on impulse buying behaviour for imported foods. The findings also revealed that economic recession has a significant effect on consumers' shopping habit. The study concludes that economic recession has significant influence on consumer buying behaviour for selected imported foods in South-East Region of Nigeria.

## **2. METHODOLOGY**

This study employed a descriptive survey design, considered appropriate for examining the relationship between economic challenges and consumer purchasing behaviour. The design was chosen because it enables the collection of data directly from individuals, providing insights into their experiences and behavioural adjustments under economic strain. Given the impracticality of covering the entire population, the Cochran formula was applied to determine an appropriate sample size. Using a 95% confidence level and a 5% margin of error, a sample of 385 respondents was derived. Out of this, 367 valid questionnaires were returned, representing a response rate of 95.3%, which is considered adequate for generalisation (Ogunyemi, 2023).

A convenience sampling method was used to select respondents within these groups which helped to minimise bias. Primary data were collected using a structured questionnaire designed around two main constructs: economic challenges and consumer purchasing behaviour. The instrument was divided

into sections covering respondents' demographics, perceptions of inflation, exchange rate volatility, interest rates, and economic instability, as well as purchasing decisions, brand switching, and consumption adjustments. All items were measured on a five-point Likert scale, ranging from Strongly Disagree (1) to Strongly Agree (5). This scale was adopted because of its suitability in measuring perceptions and behavioural tendencies.

To ensure reliability and validity, the instrument was reviewed by experts in the Department of Marketing, University of Ilorin, and pilot-tested among 30 respondents outside the study area. The test produced a Cronbach's Alpha coefficient of 0.87, exceeding the 0.70 benchmark and confirming internal consistency (Deb & Bishnu, 2024). The questionnaires were administered both physically and electronically. Physical distribution was conducted in markets, workplaces, and residential areas, while online versions were shared with civil servants and students who preferred digital participation. Respondents were assured of confidentiality and voluntary participation. Ethical protocols, including informed consent, were strictly observed in accordance with contemporary Nigerian research practices. Data collected were coded and analysed using the Statistical Package for Social Sciences (SPSS, version 25). Descriptive statistics such as frequency, mean and standard deviation were used to profile respondents and multiple regression analysis was used to analyse the data collected.

### 3. RESULTS

#### *Hypotheses Testing*

$H0_1$ : Economic challenges does not have any significant influence on consumer purchasing behaviour in Ilorin Metropolis

**Table 1a. Model Summary**

Model	R	R Square	Adjusted R-Square	Standard Error of the estimate
1	0.892 <sup>a</sup>	0.77	0.75	1.46338

a. Predictors: (Constant), exchange rate, interest rate, economic instability, and inflation rate

b. Dependent variable: consumer purchasing behaviour

Source: Author's computation, 2025

*Table 1a* shows the model summary of multiple regression analysis of the influence of economic challenges on consumer purchasing behaviour in Ilorin metropolis (n = 367). The result indicates a high multiple correlation ( $R = .892$ ) between economic challenges and consumer purchasing behaviour in Ilorin metropolis. The regression model yielded an R-squared value of 0.77, indicating that 77% of the variance in consumer purchasing behaviour can be explained by the four indicators of economic challenges while the remaining 23% can be explained by other factors.

**Table 1b. Anova<sup>a</sup>**

Model	Sum of Squares	Degree of Freedom	Mean Square	F	Sig
Regression	15.530	4	3.88	51.73	.000 <sup>b</sup>
Residual	27.193	362	.075		
Total	42.723	366			

a. Dependent Variable: Consumer purchasing behaviour  $p \leq .05$

b. Predictors: (Constant), exchange rate, interest rate, economic instability, and inflation rate

Source: Author's computation, 2025

*Table 1b* shows F-statistic ( $F(4,362) = 51.73$ )  $p < .05$ ) which further confirms the overall significance of the model, indicating that economic challenges collectively have a substantial influence on consumer purchasing behaviour. Hence, the stated null hypothesis is rejected. Thus, implying that economic challenges have a significant influence on consumer purchasing behaviour in Ilorin metropolis.

**Table 1c. Coefficients of Model Predictor on Economic Challenges**

Variables	Beta ( $\beta$ )	T	Sig.
(Constant)		2.046	.043
Exchange rate	.434	5.329	.000
Interest rate	.070	1.051	.295
Economic instability	.092	1.476	.142
Inflation rate	.305	4.274	.000

a. Dependent variable: consumer purchasing behaviour

Source: Author's computation, 2025

*Table 1c* shows analysis of the coefficient of the model predictor on the effect of economic challenges on consumer purchasing behaviour in Ilorin metropolis. The result shows that exchange rate affects consumer purchasing behaviour in Ilorin metropolis and it has the highest contribution with ( $\beta = .434, t = 5.329, p = .000$ ). Interest rate with ( $\beta = .070, t = 1.051, p = .295$ ) shows that it is not statistically significant as well as economic stability at ( $\beta = .092, t = 1.476, p = .142$ ). Inflation rate as shown in the table statistically influence consumer purchasing behaviour at ( $\beta = .305, t = 4.274, p = .000$ ).

#### **4. DISCUSSION OF FINDINGS**

The study examined the effect of economic challenges on consumer purchasing behaviour in Ilorin Metropolis. The variables that were considered for economic challenges include, exchange rate, economic instability, interest rates, and inflation. The multiple regression analysis conducted yielded significant findings.

It is clear from *Table 1a* that the  $r^2$  which is the coefficient of determination is 0.77% which is 77%, implies that a 77% change in consumer purchasing decision can be explained by economic challenges. Since the significant values (0.000) is less than 0.05 level of significance ( $p < 0.05$ ) in table 1b then, economic challenges indicating that the predictors (exchange rate, economic instability, interest rates, and inflation) collectively explain a significant amount of the variance in consumer purchasing behaviour. Therefore, the null hypothesis was rejected, which means economic challenges exert significant influences on consumer purchasing behaviour. This aligns with the study of Olatunbosun et al., (2025) and Okoro et al., (2021). The coefficient of the model predictor also indicates that exchange rate and inflation significantly influence consumer purchasing behaviour in Ilorin metropolis. The result for economic instability shows that it does not have a significant effect on consumer purchasing behaviour in Ilorin metropolis, this suggests that the consumers might have adapted to economic instability in the environment or that there are other factors that determines their purchasing behaviour. The result also shows that interest rate does not significantly influence consumer purchasing behaviour and this may be due to consumers not considering interest rate when making purchasing decisions.

## **CONCLUSION AND RECOMMENDATION**

The study examined the effect of economic challenges on consumer purchasing behaviour in Ilorin Metropolis, Kwara State, Nigeria. Every country must try to understand the economic challenges facing its citizens, with that they will be able to come up with strategies that can promote stability and enhance consumer welfare. The results reveal that exchange rate and inflation have a significant impact on consumer purchasing behaviour in Ilorin metropolis and economic instability and interest rates do not. The study suggests that economic challenges must be managed to ease their negative effects on consumers of a society. The following recommendations were made

- i. Consumers should be well informed about how they can manage their finances in the light of economic challenges.
- ii. Individuals in Ilorin metropolis should develop strategies to cope with the present economic situation
- iii. Business organisation should come up with strategies that will consider the effect of exchange rate and inflation on consumer purchasing behaviour.
- iv. The Central Bank of Nigeria should introduce policies capable of stabilising the exchange rate and control inflation. This can be achieved through monetary policy instruments such as reserve requirements and interest rate adjustments.
- v. The government should also introduce fiscal policies that can promote stability and reduce the effect of economic challenges on its citizens.

However, the research has provided valuable insights, some limitations and areas for further research have been identified. Geographically, the study is limited to Ilorin metropolis in Kwara state and may not be a true representation of the entire country and the study also made use of specific variable of economic challenges (exchange rate, economic instability, interest rates, and inflation) which may not be exhaustive. Future researchers may consider adding other variables such as unemployment and income level to the analysis of economic challenges and extend the study to cover more geographical areas.

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