

**ASSESSING THE IMPACT OF PRICING POLICIES OF  
AGRICULTURAL INPUTS IN KEBBI STATE  
(A CASE STUDY OF KASCOM NIGERIA LIMITED)**

**BY**

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**CERTIFICATION**

This is certify that this project has been read and approved as having satisfied one of the conditions for the award of the degree of Bachelor of Science, (B.sc.) Public Administrationin the Faculty of Management Sciences of UsmanuDanfodiyo University, Sokoto.

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### **DEDICATION**

This research work is dedicated to my beloved parents in persons of Late Nasir Tanko Umar and Hajiya Sa'adatu Muhammad whom with the help of Allah (S.W.A) tirelessly devoted their time in praying for my general success, and resource wise, they never complained. May Allah merciful be with them. Amin.

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## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background to the Study**

The disappointing performance of the agricultural sector in many developing countries of the world is receiving increasing attention of the monetary and exchange rate policy makers. This intervention in agricultural markets is widespread and is practiced in rich and poor countries alike. The policies on money supply, nominal exchange rates, interest rates income, international capital flows, fiscal and trade directed at macroeconomics sector of the economy are of utmost importance to agriculture. Monetary policy uses the monetary authority to control the supply of money in the economy.

Every agricultural business entity is set up with the primary objective of making profits and several considerations underlying their profit motive come to bear in determining the pricing of their goods between associated parties. A business, whether small or big, simple or complex, private or public is created to provide competitive prices. Most Agricultural

companies lack the knowledge and skills of basic marketing ingredients, such as marketing research, market segmentation and market planning and control which thereafter leads to poor quality inputs, unawareness of competition, poor distribution, and poor pricing methods (Asaolu, 2007)

The poor pricing methods thereafter lead to poor input pricing, which will eventually affect sales (demand) and finally the profit of the business. In a developing country like Nigeria, with low income and high level of poverty, a company that wants to succeed should offer its input at the price the consumers can bear. But often, small manufacturers set prices of their inputs arbitrarily without regard to consumer characteristics in the environment (Ayozie 2008)

Pricing decision is a crucial decision every agricultural organization has to make, because this will eventually affect their corporate objectives, either directly or indirectly (Monroe 2003). For every business entity, irrespective of their line of business and objective, cost minimization and profit maximization are the general factors to be considered and for non-profit making agricultural organizations, there will always be the need to reduce cost at all means and to maximize output. A business whether small or big, simple or complex, private or public, is created to provide competitive prices (Ayozie 2008).

According to Hilton (2005), setting the price for an agricultural organization's input is one of the most crucial decisions a manager faces, and one of the most difficult, due to the number of factors that must be considered. Some of the factors that influence pricing decision are demand, competitors, cost, political, environmental, legal and image-related issues. Horngren, (2006), buttresses this point by stating that managers are frequently faced with decisions on pricing and profitability of their inputs.

Some of the objectives of agricultural companies vary from maximization of profit, minimization of cost, maximization of shareholders fund, to becoming a market leader. From the various objectives of agricultural companies, the primary objective of any business enterprise is to maximize profit and minimize cost, except for charity agricultural organizations that are set up primarily not to make profit, but there will be need to minimize cost by all means, therefore the need to set prices, which therefore connotes that pricing decision arises in virtually all types of agricultural organizations, approach to an effective pricing strategy is to manage revenues in ways that support the firms' profitability objectives, which leads to the question; how well can we complement the various

factors that influence pricing decision, to achieve our overall objective, which is maximization of profit (Ayozie 2008).

For any agricultural organization that is involved in the inputation of goods and rendering of services, after answering the question what to produce, and who to produce for, there is need to answer the question how much will our potential customers be willing to pay for the good? This difficulty of price fixture and the effect changes in the price of inputs has on the profitability, has posed a sense of concern to most agricultural companies in Nigeria. Pricing decision is a crucial decision every agricultural organization has to make, because this will eventually affect their corporate objectives, either directly or indirectly (Monroe 2003). For every business entity, irrespective of their line of business and objective, cost minimization and profit maximization is a general factor to be considered and for non-profit making agricultural organizations, there will always be the need to reduce cost at all means and to maximize output. A business whether small or big, simple or complex, private or public, is created to provide competitive prices (Ayozie 2008).

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### **1.2. Statement of the Research Problem**

Currently, price instability is the most serious problem in the Nigerian agricultural sector. One of the important factors causing instability in price is the movement of agricultural prices. This price instability leads to very low inputivity of the private sector and the lack of diversification of the economy; which makes Nigeria to be basically a mono-economy that depends mainly on the oil sector. This is caused mainly by the inhospitable agricultural business environment which includes: infrastructural deficiencies, poor security of lives and property, competition and rank seeking, low access to and the high cost of finance, weak financial institution and poorly defined property rights and the enforcement of contract coupled with unstable macroeconomics policies.

The stage of the input in its life cycle will determine the pricing decision for the input at hand. For new inputs, the target costing approach is used, in which the company estimates what they think consumers will pay for a new input, and then back out the cost that is in excess of it in order to sell

at that price. This aspect of an agricultural organizations activity (pricing decision), is handled with mere guess work by most agricultural companies in Nigeria, with little consideration for some factors, which thereafter influences their decision making without weighing the cost and benefit of the decision made on pricing.

### **1.3 Research Questions**

The research questions for this are:

- i. What are the factors that influence the input pricing policy an agricultural organization will adopt?
- ii. What are the roles of quantity demanded for a input on the pricing policy adopted by an agricultural organization?
- iii. What role does cost play in the pricing of inputs?

### **1.4. Objectives of the Study**

The broad objective of the study is to examine the impact of pricing policies of agricultural inputs in Kebbi State.

The specific objectives of this study are to:

- i. Evaluate some of the factors that influence the input pricing policy an agricultural organization will adopt.
- ii. Evaluate the role of quantity demanded for a input on the pricing policy adopted by an agricultural organization.

iii. Evaluate the role cost play in the pricing of inputs

### **1.5 Significance of the Study**

The study is relevant and important to the policy makers, business Administrator, researchers and the government. Policy makers will find the study relevant because it will help in formulating policies on the impact of pricing policies of agricultural inputs in Kebbi State and also in advising government in an efficient and effective way by which policy formulated could be implemented. The study will also benefit the policy makers in further deliberations on the impact of pricing policies of agricultural inputs in Kebbi State and studying the current trends of input pricing in Nigeria.

Business Administrator will find this study very relevant and important because it will assist them in their deliberations and discussions on the impact of pricing policies of agricultural inputs in Kebbi State and in proffering possible policy recommendations that will help both the government and the administrators of policies. Above all, it is hoped that this study would contribute to knowledge and be useful as reference material for scholars and researchers in the field of study.

This study is significant in the followings ways:

- a. it would have a direct effect on the efficiency and effectiveness of the use of policy instruments in the stabilization of macroeconomic variables to stimulate consumption.
- b. it would reveal the remote and immediate causes of price fluctuations.
- c. it would also be an invaluable tool for students, policy makers and institutions that want to know more about the effect of price changes on household consumption in Nigerian economy.

### **1.6 Statement of Hypotheses**

Ho1: That there is no relationship between price fluctuations and household consumption in Nigeria.

Ho2: That there is relationship between price fluctuations and household consumption in Nigeria.

Ho3: That there are implications of price increase on agricultural inputs in Nigeria.

### **1.7 Scope of the Study**

This study covers the impact of pricing policies of agricultural inputs in Kebbi State, case study of KASCOM Nigeria Limited. This study is limited to the period between 2010 and 2013. The basis for covering this period of time is to show whether there have been any significant contributions of input pricing on household demand for consumer goods.

### **1.8 Limitations of the Study**

The major limitation of the study experienced by the researcher was the problem of getting the relevant textbooks, journals and other materials which posed a threat to the quality of this research and the non-availability of finance for countless trips to get research materials and meet certain obligations as at when due contributed to the quality of this research work.

### **1.9 Definition of Terms**

**Input Pricing:** is the process of determining what a company will receive in exchange for its input. Pricing factors are agricultural cost, market place, competition, market condition, brand, and quality of input

**Marketing** is the process by which companies determine what inputs or services may be of interest to customers, and the strategy to use in sales, communications and business development. It is an integrated process through which companies create value for customers and build strong customer relationships in order to capture value from customers in return.

**Distribution:** Movement of goods and services from the source through the distribution channel, right up to the final customer, consumer, or user and the movement of payment in the opposite direction, right up to the original producer or supplier.

**Price:** Market value, or agreed exchange value, that will purchase a definite quantity, weight, or other measure of a good or service. As the consideration given in exchange for transfer of ownership, price forms the essential basis of commercial transactions.

**Inpution:** The processes and methods used to transform tangible inputs (raw materials, semi-finished goods, subassemblies) and intangible inputs (ideas, information, knowledge) into goods or services. Resources are used in this process to create an output that is suitable for use or has exchange value.

**Pricing Policy:** A detailed study of the market structure gives us information about the way in which prices are determined under different market conditions. However, in reality, a company adopts different policies and methods to fix the price of its products. Pricing policy refers to the policy of setting the price of the product or products and services by the management after taking into account of various internal and external factors, forces and its own business objectives. Pricing policy basically depends on price theory that is the corner stone of economic theory in a modern economy. Fixing a price is the most important aspect of managerial decision making because market price charged by the company affects the present and future production plans, pattern of distribution,

nature of marketing etc. The policy by which a company determines the wholesale and retail prices for its inputs or services. See also pricing strategy.

## **CHAPTER TWO**

### **LITERATURE REVIEW AND THEORETICAL FRAMEWORK**

#### **2.1 Introduction**

The study aimed at evaluating the impact of pricing policies of agricultural inputs in Kebbi State. The study aimed at focusing on Conceptual Framework. Agricultural organizational Objectives, Causes of Input Price Changes, Factors Affecting Pricing Policies, Pricing Strategies, Input Price and Pricing Cost, Ways of Changing Prices, Effect of Input Price Changes on Demand and Theoretical Framework

#### **2.2 Conceptual Framework**

Pricing is a major subject matter in the management sciences and has been viewed from different perspectives and dimensions. For this study three major backgrounds to the pricing theory will be considered and this consists of the Economists' perspective, the Accountants' perspective as

well as from the Marketers' perspective. The accountants have given a background look at the study at hand giving it a comparison to how well a relationship can be established between total cost, price and profit. The marketers are mainly concerned with how well price can be set to suit the value the customers will be willing to pay (customer satisfaction). The economists have provided much of the theoretical background to pricing. The theory states that firms should seek the price which maximizes profit and will thereby obtain the most efficient use of the economic resources held by the firm. From the Accountants' point of view, pricing theory is based on the concept that a relationship can be established between prices, quantity demanded, quantity sold and total revenue. Demand sympathizes with price and therefore varies with it, and if an estimate can be made of demand at different price levels it should be possible to derive a profit maximizing price, and a revenue maximizing price. Except if realistic estimates of demand at different price levels can be made, pricing theory is difficult to apply in practice (Asaolu&Nassar 2007).

From the Economists' point of view, firms should seek the price which maximizes profit and will thereby obtain the most efficient use of the economic resources held by the firm. This price is at that level of sales where the addition to total revenue from the sale of the last unit (the



marginal revenue, (MR is equal to the addition to total costs resulting from the input of that last unit (the marginal cost, MC). The economic theory is more concerned with the behavior of aggregates or markets, particularly how persistent and widespread behavior leads to stable results called equilibrium. One important aspect of the economic perspective is to realize that it views the firm as a price-taker rather than a price-maker. This means that management only determines the quantity of a input to produce, and the market sets price through the forces of supply and demand (Monroe, 2003)

In contrast to the economists' point of view, the marketing perspective views price as a decision variable, instead of a given variable. In line with the marketers point of view, price is a decision variable influenced by various factors (Lucey 2006, Monroe 2003). Pricing is the only element in the marketing mix that creates sales revenue, the other elements are costs.

According to Monroe (2003) Price is the amount of money we must sacrifice to acquire something we desire. It is the formal ratio indicating the quantities of money (or goods and services) needed to acquire a given quantity of goods and services. Prices determine how these inputs and services should be produced, and for whom the inputs and services should be produced (Lawal et al, 2007).

Price changes, is the process of either increasing or reducing the selling price of a input. It involves the process of responding to the various factors influencing the pricing decision. There are various ways of changing price, with respect to changes in cost of inputation and changes in other intervening variables, which may at the long run affect the long term objectives of the company, if not changed. Most agricultural organizations only pay attention to the amount of money to be received from the customer, without taking a close look at the quantity of goods delivered (Oyeniya 2004)

One way to change price is to change the quantity of money or goods and services to be paid by the buyer. Another way is to change the quantity of goods or services provided by the seller. This a major approach adopted by most of the producers of biscuits in Nigeria. When the cost of inputation increased, an attempt was made to increase the price of a pack of biscuit, from N5 to N10, and after discovering that the attitude of buyers changed negatively, these producers resolved to reduce the quantity of biscuit and thereafter introduced new inputs that sold for N10. The third way is to change the quality of goods and services provided. This is a method adopted by most large companies in Nigeria, who introduce new inputs with lower quality and at reduced price, thereby increasing the price of the

existing inputs, giving different categories of buyers the opportunity to choose.

Hilton (2005) stated that most industries, both market forces and cost considerations heavily influence prices. No agricultural organization or industry can price its inputs below their input costs indefinitely. And no company's management can set prices blindly at cost plus a markup without keeping an eye on the market. Therefore, the need for price changes, which is carried out strategically, through the use of good market survey and strategic pricing.

Companies are sometimes price takers, which mean their inputs' prices are determined totally by the market. Some agricultural commodities and precious metals are examples of such inputs. In most cases, however, firms have some flexibility in setting prices. The demand law, which is what obtains in most cases, is the fact that as the price of a commodity increases, there will be a decline in the quantity demanded of that input (Asaolu&Nassar 2007).

### **2.2.1 Pricing**

Every agricultural business entity is set up with the primary objective of making profits and several considerations underlying their profit motive come to bear in determining the pricing of their goods between associated

parties. A business, whether small or big, simple or complex, private or public is created to provide competitive prices. Most Nigerian small business owners lack the knowledge and skills of basic marketing ingredients, such as marketing research, market segmentation and market planning and control, which thereafter leads to poor quality inputs, unawareness of competition, poor distribution, and poor pricing methods. The poor pricing methods thereafter lead to poor input pricing, which will eventually affect sales (demand) and finally the profit of the business. In a developing country like Nigeria, with low income and high level of poverty, a company that wants to succeed should offer its input at the price the consumers can bear. But often, small manufacturers set prices of their inputs arbitrarily without regard to consumer characteristics in the environment (Ayozie 2008).

For an agricultural organization, to compete favorably with its peer in the same industry, it must be able to meet the demand of the people, as well as set the right price for the right input. Low cost and high quality infrastructure service tends to improve price competitiveness (Beyene 2002:140). In the same vein, Uzor (2004) noted that governmental policies should be directed to overall input efficiency of the SMEs, which will in turn lower costs at the same time increasing the purchasing power of the

consumers, when the prices are reduced. Besides reducing costs, increasing the efficiency will also position the SMEs in the cluster to compete effectively in an open economy. The efficiency gained in local market will project them as well towards an export oriented input system and possibly help to integrate them effectively into the global economy.

### **2.3 Agricultural organizational Objectives**

Without a goal, it is said that a man will live like a goat, so also without an agricultural organizational goal, a company will only be moving round the circle without direction, and it is the overall agricultural organizational goal set by the management of a company that serves as the driving force, towards which everyone in the agricultural organization will drive towards. In every agricultural organization, there is always the general agricultural organizational goal, as well as the departmental goal, and the various departmental goals are framed in line with the overall agricultural organizational goal. Various goals are set by the agricultural organization and these directly and indirectly affect the pricing policy of the agricultural organization, which is expected to be tailored in line with the

overall goal (Dockner, 2004). A nonprofit making agricultural organization will always look forward to satisfying its customers only, therefore the pricing policy will be towards minimizing cost and customer satisfaction. Some of the objectives and goals set by agricultural organizations and the various ways in which they affect pricing decision are as stated below:

**2.3.1 Increase Sales:** Agricultural organizations that want to increase the turnover of their input may need to fix price at a level that the consumer will accept it as being commensurate with the benefits of the input.

**2.3.2 Increase Market:** Agricultural organizations may set price because of the need to reach out to a particular part of the market, thereby increasing their market size. When this objective is set, price should be set in a competitive manner to attract new customers and retain old customers.

**2.3.3 Profit Maximization:** Profit maximization is the main agricultural organizational goal for any profit making agricultural organization. To achieve this objective, price must be set strategically in such a way that maximizes revenue and minimizes cost.

**2.3.4Market Penetration:** When a producer wants to enter the market, he can adopt this strategy, by setting price below or at par with the price of existing or similar inputs, not considering the effect it may have on profit.

**2.3.4Company Image:** An agricultural organization might want to build up its agricultural organizational image, by setting price in such a way that it provides an insight into the quality of the input.

#### **2.4 Causes of Input Price Changes**

At every point in time when an agricultural organization discovers that the price charged on the sales of its inputs is too high or low, there will be need to make a pricing decision on whether to increase or reduce the current price charged, so that it does not affect the company pricing objective. When pricing decision is to be made, some factors have to be put into consideration, so that the decision will not affect the overall objective of the company. Some of the factors which must be considered among other things include:

1. **Cost of Input:** For effective pricing, the total cost of input must be fully ascertained, leaving no stone unturned. The fixed cost as well as the variable cost must be determined and all the various costs that may be incurred in the marketing process must be inculcated e.g. advertising expense, transportation, etc. When cost is not fully ascertained, pricing

decision becomes faulty and when the price is wrong, it will definitely affect the income of the company and eventually may affect the survival of the business, especially for the new business and also the small and medium enterprises (Horngren, 2006).

Alongside with the other factors that affect pricing decision, cost is a factor that must be looked into critically. When it is discovered that there is a significant increase or decrease in the cost of input, there will be need to either increase or reduce the input price as the case may be.

**2. Nature of market competition:** The nature of market competition must also be considered when pricing decision is made. For a business that is in a monopolistic market, competition may not really affect the pricing decision, but a business in the oligopolistic market or a free market, where competition is tense, this has to be considered before price is set. In a situation where the market leader dictates the price and others follow, the price of the market leader must also be considered and in a situation where the price of substitute goods will affect the price of the input, this is very important. When it is discovered that there is a significant difference between the price set by the competitors and that set by the company, there will be need to change the price of the input in such a way that it is



in line with the competitors' price and also in line with the company's pricing objective.

3. **Customers and market segment:** When a producer knows his customers, he will be able to set his prices accurately. The market segment must be carefully identified and the amount they will be willing to pay for the input identified. For the producers of cars, there are different models for different set of people, thus producing varieties for different set of people. There are some inputs which are mainly for the elites, while some are for the masses. A producer of inputs for the masses will need to consider the per capita income of the people before making his pricing decision, and when there is a change in taste and fashion, there may be need to use different pricing strategies in changing the price (Monroe, 2003)

4. **Demand:** For a new input, there is need to price such input strategically in such a way that it penetrates the market, even if it will be at par with the total cost, while for a highly demanded input, an increase in price may not really have a high effect on the demand for such inputs, so is the need for management when making pricing decisions to consider the demand for the input. Some companies who receive order from customers may decide to reduce their price per unit or increase their discount, when it is noted

that demand from a customer is high, and this may be on the other way round, depending on other factors considered by the management. When an input has fully penetrated the market and demand is stable, there may be need for the producers to effect price changes for the input, putting in mind the expected profit margin.

**5. Consumer behavior and perception:** Consumers attitude and perception about the input must be considered, when making pricing decisions. The company should consider if an increase in price will lead to an increase or a decrease in demand, and vice versa. When the consumer behavior has been established, the producers, will then need to effect the necessary change as at when due.

**6. Channel of distribution:** The cost of distribution and the channel of distribution must also be considered when the price of an input is to be set. It must be considered if the input will be supplied directly to the final consumer or has to pass through the various channels of distribution. For an input that has to pass through the wholesaler, to the retailer and then to the final consumer, the profit of these middle men as they are called must be considered, so that the final price set by the retailer will not affect demand negatively. In some situations, the producer may need to set a standard price, which is known by the wholesaler, the retailer as well as the

consumer. When it is discovered that the cost of distribution is high, the producer will need to effect a change in the price of the input or reduce the input price where it is discovered that there is a decrease in the cost of distribution (Oyeniya, 2004)

**7. Macroeconomic trends:** The macroeconomic trends of the country must also be put into consideration when pricing decisions are made. In an unstable economy, where cost of living increases, without a change in the income of the people, an increase in the price of a input may affect demand for that input, so also when there is an increase in the income of the people, increase in the price of a input may not necessarily affect the demand for that input at that point in time.

**8. Company Objective:** When pricing decisions are made, they must be in line with the overall company objectives, as this is what will inform what the pricing objective really is, so that the pricing decisions made will not be against the company objective, and when it is discovered along the line that the present price is against the company overall objective, there will be need to change the price in such a way that the company objective is achieved.

## **2.5 Factors Affecting Pricing Policies**

When pricing policy is to be made, some factors have to be put into consideration, so that the policy will not affect the overall objective of the company. Some of the factors which must be considered among other things include:

**2.5.1 Cost of Input:** For effective pricing, the total cost of input must be fully ascertained, leaving no stone unturned. The fixed cost as well as the variable cost must be determined and all the various costs that may be incurred in the marketing process must be inculcated e.g. advertising expense, transportation, etc. When cost is not fully ascertained, pricing decision becomes faulty and when the price is wrong, it will definitely affect the income of the company and eventually may affect the survival of the business, especially for the new business and also the small and medium enterprises. Alongside with the other factors that affect pricing decision, cost is a factor that must be looked into critically (Pashigian, 2007)

**2.5.2 Nature of market competition:** The nature of market competition must also be considered when pricing decision is made. For a business that is in a monopolistic market, competition may not really affect the pricing decision, but a business in the oligopolistic market or a free market, where competition is tense, this has to be considered before price is set. In a

situation where the market leader dictates the price and others follow, the price of the market leader must also be considered and in a situation where the price of substitute goods will affect the price of the input, this is very important.

**2.5.3 Customers and market segment:** When a producer knows his customers, he will be able to set his prices accurately. The market segment must be carefully identified and the amount they will be willing to pay for the input identified. For the producers of cars, there are different models for different set of people, thus producing varieties for different set of people. There are some inputs which are mainly for the elites, while some are for the masses. A producer of inputs for the masses will need to consider the per capita income of the people before making his pricing decision.

**2.5.4 Demand:** For a new input, there is need to price such input strategically in such a way that it penetrates the market, even if it will be at par with the total cost, while for a highly demanded input, an increase in price may not really have a high effect on the demand for such inputs, so is the need for management when making pricing decisions to consider the demand for the input. Some companies who receive order from customers

may decide to reduce their price per unit or increase their discount, when it is noted that demand from a customer is high, and this may be on the other way round, depending on other factors considered by the management (Hilton, 2005)

**2.5.5 Consumer behavior and perception:** Consumers attitude and perception about the input must be considered, when making pricing decisions. The company should consider if an increase in price will lead to an increase or a decrease in demand, and vice versa.

**2.5.6 Channel of distribution:** The cost of distribution and the channel of distribution must also be considered when the price of a input is to be set. It must be considered if the input will be supplied directly to the final consumer or has to pass through the various channels of distribution. For a input that has to pass through the wholesaler, to the retailer and then to the final consumer, the profit of these middle men as they are called must be considered, so that the final price set by the retailer will not affect demand negatively. In some situations, the producer may need to set a standard price, which is known by the wholesaler, the retailer as well as the consumer. For example the Nigerian Bottling Company has set a standard price for the sale of a 35cl bottle of Coca Cola in Nigeria to N40 as at this

date, thus both the consumers and the retailers are aware of the standard price.

**2.5.7 Macroeconomic trends:** The macroeconomic trends of the country must also be put into consideration when pricing decisions are made. In an unstable economy, where cost of living increases, without a change in the income of the people, an increase in the price of a input may affect demand for that input, so also when there is an increase in the income of the people, increase in the price of a input may not necessarily affect the demand for that input at that point in time.

**2.5.8 Company Objective:** When pricing decisions are made, they must be in line with the overall company objectives, as this is what will inform what the pricing objective really is, so that the pricing decisions made will not be against the company objective.

## **2.6 Pricing Strategies**

The pricing strategies to be adopted by a company differ and are influenced by some of the factors stated earlier in this study. Some of the pricing strategies that may be adopted when pricing decision is made include among others:

**2.6.1 Market penetration strategy:** This is the process of setting a considerable price, which will be affordable for the customer, thus there may be need for price reduction in order to gain acceptance and thus create speed for the input in the market (Cardinaels, 2004)

**2.6.2 Market skimming:** This involves setting a input price high initially and later reducing the price to improve sales. It is used mostly for newly introduced inputs so that consumers will not react negatively to an increased price to meet cost or make profit. When the price is reduced, consumers may see it as an advantage for more patronage. However, this strategy may not work for some inputs where increased price is attributed to greater prestige and inputs with numerous substitutes in the market (Asaolu, 2007)

**2.6.3 Loss leader pricing:** Where a input is sold at a lower price probably at a loss in order to attract customers who might then buy other items at normal price. It is used when consumers resist prices charged by sellers and thus encourage sales of other inputs by the producer.

**2.6.4 Promotional pricing:** Short term reduction in prices intended to attract increase sales. It may be used during dull seasons e.g. the price of soft drinks during rainy seasons is reduced to increase sales



**2.6.5 Demand oriented:** This strategy has to do with setting prices on the basis of demand for the input. When this strategy is adopted, changes in demand will have an effect on the price that that input.

**2.6.6 Competitive pricing:** This involves setting prices on the basis of activities of competitors. When using this strategy, the company must be sensitive to changes in the market.

**2.6.7 Cost oriented pricing:** This is a strategy that is based on cost of input. With this strategy, the full cost of input is considered plus the margin, before price is set (Aregbeyen, 2009).

## **2.7 Input Price and Pricing Cost**

In any agricultural organization, profit making, nonprofit making, private enterprise, public enterprise, agricultural or service rendering, before the price of a input is set, the cost of putting it in a sellable condition must be considered.

Cost is the total amount expended to bring certain inputs or services to its present condition. It can also be termed as the amount expended to transform raw materials into finished goods.

According to Pashigian (2007) “Indeed, cost is probably the least important factor to consider when setting inputs prices.” Looking at it

from the accountants' point of view, it is noted that there is no direct relationship between selling price and input costs, because of competition and elasticity of consumer demand (ICAN 2006, Lucey 2007). Cardinaels et al (2004) observed that the more accurate cost data means that participants with activity based costing would be more likely to detect and filter competitors' prices when these prices are a poor reflection of actual costs than would participants with biased cost data. Consequently, prices under activity based costing are likely to be based on more accurate cost data (Ayozie, 2008) rather than on less relevant market feedback.

Dockner et al (2004) stated that when firms are engaged in strategic competition, a higher speed of diffusion causes the individual firm to decrease the price, thus competition either directly or indirectly has an influence on the price of inputs, but vary from company to company, depending on the nature of the input and the industry in which the company operates. In an industry where there are few producers of the input or few market leaders, competition may not be the main factor to consider when setting price, but for small and medium enterprises, who operate in an industry where there are market giants already, their pricing policy will be influenced by the competitors price. An example is the case of Nigerian Bottling Company, amongst the producers of other inputs in

Nigeria, this company indirectly regulates the price of soft drinks in Nigeria, therefore the 7-Up Bottling company has to either set its price at par or below the price per unit of the inputs of the Nigerian Bottling Company, so also any company that wants to operate in that industry, for them to remain in business. In a study carried out by Dockner et al (2004), the result of the analysis conducted shows that, in the case of strategic (oligopolistic) competition, the speed of diffusion have an important influence on the optimal pricing policy. It can be said therefore that in a monopolistic market, when essentials are sold, competition is not considered when setting price.

## **2.8 Ways of Changing Prices**

There are various ways of changing price, with respect to changes in cost of input and changes in other intervening variables, which may at the long run affect the long term objectives of the company, if not changed. Most agricultural organizations only pay attention to the amount of money to be received from the customer, without taking a close look at the quantity of goods delivered.

One way to change price is to change the quantity of money or goods and services to be paid by the buyer. Another way is to change the quantity of goods or services provided by the seller (Akinbinu, 2003). This a major

approach adopted by most of the producers of biscuits in Nigeria. When the cost of input increased, an attempt was made to increase the price of a pack of biscuit, from N5 to N10, and after discovering that the attitude of buyers changed negatively, these producers resolved to reduce the quantity of biscuit and thereafter introduced new inputs that sold for N10. The third way is to change the quality of goods and services provided. This is a method adopted by most large companies in Nigeria, who introduce new inputs with lower quality and at reduced price, thereby increasing the price of the existing inputs, giving different categories of buyers the opportunity to choose. When you need to determine what to charge for your inputs and services, there are some common mistakes management should avoid. Some of these mistakes include:

**2.8.1 Underselling:** To set realistic prices, you need to be aware of all costs involved in producing your input. This includes easy to track costs such as the price of parts and supplies, as well as less tangible costs associated with the skills and knowledge you bring to the Table. Some entrepreneurs set prices that do not account for all of these expenses. They may forget to add in overhead such as utilities or rent, or have difficulty putting a price tag on the value of their time. One approach service-based businesses use to determine a fair rate for their offerings is to set an hourly

wage to charge for services. They then multiply this figure by the total number of hours it takes to complete a job to determine a project's overall price (Horngren, 2006)

**2.8.2 Following the competition:** Basing your pricing structure on the competitions can be dangerous because the costs competitors use to calculate prices may have little relation to your own. They may pay suppliers less or more than you do, buy different technology, and have larger or smaller marketing budgets. That said, it does pay to know how much competitors charge so you can confirm that your prices are realistic for the market. If you notice your figures are much lower than competitors', check to be sure you haven't left something out of the pricing equation.

**2.8.3 Competing on price:** Setting prices solely to beat the competition is a shaky proposition. You're bound to attract buyers this way, but they are unlikely to be loyal customers. If low cost attracted them to your business, they may abandon your company when a less expensive option comes along. A better approach is to differentiate your business from competitors in other ways, such as superior customer service, enhanced input features, or finer quality.

**2.8.4 Waiting too long to raise prices:** Increased demand or the rising cost of supplies may put you in the position of having to decide whether or not to raise prices. Some business owners avoid increases because they fear customers will react negatively. In many cases it's a better strategy to make regular, small price increases than to hit customers with one large increase. In other words, a 10 percent price increase is likely to draw more negative attention than two 5 percent increases (Hilton, 2005).

**2.8.5 Dropping prices without changing delivery:** Some clients may try to negotiate a better deal from your company. This can put you in a difficult position, especially if you run a service-based business. Delivering an agreed-upon order for a lower price can inadvertently send the message that your initial prices were too high, and all future business is open to price negotiation. A better approach is to agree to a lower price, but change the delivery terms slightly. For example, if you're negotiating the price for a three-month long technical installation, you might agree to a lower project cost if the number of weekly meetings is reduced or monthly reports are streamlined. Another option that makes sense for large orders is to position lower rates as volume discounts.

**2.8.6 Setting random prices:** Some customers may insist upon having an understanding of how your pricing structure is designed, so it is critical to

be able to justify the prices you charge. In addition, unless you have a clear sense of how costs relate to your prices, it will be difficult for you to identify when the right time is to adjust the amount you charge.

### **2.9 Effect of Input Price Changes on Demand**

The demand law, which is what obtains in most cases, is the fact that as the price of a commodity increases, there will be a decline in the quantity demanded of that input. The total revenue curve increases throughout its range, but the rate of increase declines as monthly sales quantity increases. Note that the increase in total revenue when sales quantity increases from zero to a units is greater than the increase in total revenue when the sales quantity increases from a units to b units. No matter what approach a manager takes to the pricing decision, a good understanding of the relationship between quantity demanded, price, total revenue, total cost, average revenue and marginal revenue will lead to better decisions.

#### **2.9.1 Effect of Input Price Changes on Profit**

A change in the price of a input will affect the quantity demanded, which will in turn affect the sales turnover and eventually affect the profit of the company. In accounting, the equation for calculating the profit is as stated below:

$$\text{Profit} = \text{Turnover} - \text{Cost of Sales} - \text{Overheads}$$

This also shows that when turnover reduces, it will eventually have an effect on the profit. When there is a 5% increase in the cost of sales, with overheads remaining constant, with an increase in the price of the input, which will result in a reduction in quantity demanded and finally on the sales turnover. A decrease in demand, resulting in a decrease in turnover less cost of sales and overheads will eventually affect the profit generated by the company.

From the economists point of view, if price is constant, the total revenue curve must go through the origin (if zero units are sold, total revenue will be zero); but because some costs are fixed in the short run, the total cost curve does not go through the origin. As long as revenue received from the sale of an additional unit of output (marginal revenue) is greater than the additional costs of producing and selling that unit (marginal cost), the firm will expand output (Hilton 2005). Because price is constant, marginal revenue equals price, and the firm will produce at the quantity level where marginal revenue (price) equals marginal cost. (In economic analysis marginal is defined as the change resulting from a unit increase in effort). Profits are at a maximum where total revenue minus total cost is the greatest or where the slope of the total revenue curve equals the slope of the total cost curve. (In quantitative analysis, slope measures the amount



of change in the dependent variable (revenue or costs) produced by a unit increase in the independent variable (quantity).

## **2.10 Theoretical Framework**

### **Theories of Pricing;**

#### **2.10.1 Market –Based Theory**

The market-based approach to petroleum pricing is predicated on the basic economic principle of demand and supply. In this framework, the price of oil, like the price of any other normal good, should be the outcome of the interactions between the demand and supply of the commodity, within the constraints of existing market imperfections. In the case of an oil producing country, pricing using this approach is based on the principle of opportunity cost, which is the world price already determined by the forces of demand and supply. The domestic price will then be the border price, less freight and other related charges. This theory seeks to eliminate the arbitrage opportunities engendered by lower domestic prices, vis-à-vis international prices.

#### **2.10.2 The Exhaustible Resource Theory**

The exhaustible resource theory is based, on the work of Hotelling (1931) who advocated the need to price oil and other fossil resources in a way

that recognizes the temporariness of their availability. According to this school of thought, the price becomes a user cost, or depletion charge, which compensate for the fact that future generation are denied access to the commodity. This price may or may not be consistent with the equilibrium outcome of demand and supply

### **2.10.3 The Capital Replacement Theory**

The capital replacement theory recognizes the need to price petroleum inputs in such a way as to recover the capital expended in its inputation and refining. At a minimum, the price is expected to be consistent with the cost of replacing capital in the inputation process. However, Nigeria at present uses the market-based approach (of export parity), which so far has meant increases in the prices of petroleum inputs along the rise in world crude prices.

### **2.10.4 Harrod-Dormar Growth Theory**

The Harrod-Dormar Theory is based on the experience of advanced capitalist economies and attempt to analyze the requirement for a steady

growth. The theory attempts to discover the rate of income growth necessary for a smooth and uninterrupted working of an economy. This model implied a direct link between the rate of economic growth and the level of current investment. The model assumes that the growth of output in the current year is proportional to the investment ratio (the share of investment in output) in the previous year. This theory laid emphasis on the dual character of investment. Firstly, it creates income, and secondly, it augments the inputive capacity of the economy by increasing its capital stock. Harrod-Dornar growth models are purely laissez-faire, based on the assumption of fiscal neutrality and designed to indicate conditions of progressive equilibrium for an advanced economy.

In the framework of this model, a targeted rate of growth of output or GDP depends on a country's savings rate, capital/output ratio, and capital depreciation. This theory has often been criticized for three reasons. Firstly, it centres on the assumption of exogeneity for all key parameters. Secondly, it ignores technical change, and lastly it does not allow for diminishing returns when one factor expands relative to another. One key implication of this model is that the growth rate of the economy can be influenced by policy makers by tinkering with components of the growth rate. This means that by designing policies to influence the savings rate or

enacting policies to reduce the capital-output ratio say, by investment in human capital, the inputivity of capital can be increased hence the growth rate of the economy can be considered a policy variable.

However, this theory can be applicable to the Nigeria, since our economic growth is inadequate to the needs of the country, particularly in other to reduce the pervasive poverty. The poor growth performance had been largely due to the interaction of economic, political, social and institutional factors that have hampered the right conditions for inputive investment to flourish. Most of the economic decisions are made by the government. For instance, the upward pricing of petroleum inputs has always been contentious in Nigeria. Policy makers use it as a way of raising revenue for the government, meet the need to repair and rehabilitate inputs refining and infrastructure, which on the other hand affects the economy growth of the nation.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

Methodology provides a kind of study of investigation which is designed or structured in such a way as to enable us observe and measure the impact of one variable and another. In carrying out this work, certain methods were used. This chapter explains in depth, the procedures followed in arriving at the inference of this research work. The following headings are dealt with in this chapter: Research Design, Sources of Data, Method of Data Collection, and of the Study, Sample and Sampling Procedures, Method of Data Analysis, Limitations to Methodology.

### **3.2 Research Design**

The research design used in this study is a survey research. It aims at discovering the impact of pricing policies of agricultural inputs in Kebbi State. It is a Survey which uses Questionnaire and Personal interview as the instruments of drawing information from respondents.

### **3.3 Sources of Data**

The source of data collection is through questionnaires and interviews. The primary data used in this study is obtained from KASCOM Nigeria Limited

### **3.4 Method of Data Collection**

The researcher made use of personal interview and administration of questionnaires

**(a) Questionnaire**

This was designed to ensure flexibility. The method used multiple choice questions, open-ended and dichotomous methods. These were to ensure that employees find them easy to answer and to achieve consistency.

**(b) Interview**

Some managers as well as lower level employees were interviewed. The questions were basically open-ended to allow the interviewees express their opinions and ideas about the subject matter of the research. Some of the questions were found in the questionnaire. This was to ensure consistency of information.

**3.5 Population of the Study**

The researcher's population of study is KASCOM Nigeria Limited and empirical investigation was conducted in KASCOM Nigeria Limited in order to determine the effect that agricultural organizational structure has on worker's job performance. The descriptions of the population in KASCOM Nigeria Limited are four hundred (400) staff of KASCOM Nigeria Limited. The population size figure is gotten from KASCOM Nigeria Limited Administration Department.

### 3.6 Sample Size and Sampling Techniques

A sample size entails determining how many population members are to be involved in the sample. Therefore, it is the portion of the population to show the quality of the whole. By this, the researcher, in order to obtain a reasonable number of the population that will show the quantity of the respondents used the following methods for determining sample size.

Since the population of the study is already known, the researcher used Burleys formulary to determine the sample size as:

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

N

Where

n= The sample size to be determined

N= The total population

e= Error margin

1=- Constant

$$n = \frac{N}{\text{-----}}$$

$$1 + N(e)^2$$

Where:

N = Population

n = Sample size

$$e = (0.05)^2$$

$$n = \frac{400}{1 + 400 (0.0025)}$$

**Sample size = 200**

This study is being carried out in KASCOM Nigeria Limited. The respondents will be selected randomly, using the simple random sample technique. The method was chosen to give each item in the population an equal chance of being included in the sample.

### **3.7 Method of Data Analysis**

The hypothesis will be tested using chi-square. The chi-square will be used in a procedure that involves the compares of differences between



sample frequencies that are expected if the hypothesis is true. Hence, the formula below is applied.

$$X^2 = \frac{\sum E (F_o - F_e)^2}{F_e}$$

Where  $X^2$  = Chi - Square

$F_o$  = Frequency Observed

$F_e$  = Frequency Expected.

### **3.8 Limitations of Methodology**

The limitation of methodology is but due to time and financial constraints, therefore it is limited to KASCOM Nigeria Limited.

## **CHAPTER FOUR**

### **DATA ANALYSIS AND PRESENTATION OF RESULTS**

#### **4.1 Introduction**

This chapter is concerned with the presentation and analysis of data collected for this research. In addition, the hypothesis formulated for this study were analyzed and tested and discussion of the findings.

#### **4.2 Data Presentation and Analysis**

This Section presents the analysis of responses collected from two hundred respondents (200).

**Table 4.1: Organization of the respondents**

Options	Frequency	Percentage (%)
KASCOM Nigeria Limited	200	100

Source: Field Survey, 2015

The above analysis shows that 100 percent of the respondents are from KASCOM Nigeria Limited.

#### **4.3 Respondents Bio-Data**

**Table 4.2: Sex of the Respondents**

Sex	Frequency	Percentage (%)
Male	132	66
Female	68	34
Total	200	100

Source: Field Survey, 2015

The above table shows the sex distribution of the respondents. 66 percent of the respondents are male while 34 percent of the respondents are female.

**Table 4.3: Age of the Respondents**

Age	Frequency	Percentage (%)
18-30	80	40
31-40	60	30
41-50	48	24
51 and above	12	6
Total	200	100

Source: Field Survey, 2015

The above table shows that, 40 percent of the respondents are in the age bracket 18 – 30, 30 percent are in the age range 31 – 40, 24 percent of the

respondents are in age bracket 41 – 50 while 51 and above are in the age bracket 51 and above.

**Table 4.4: Marital Status of the Respondents**

Marital Status	Frequency	Percentage (%)
Single	84	42
Married	116	58
Total	200	100

Source: Field Survey, 2015

From the above table, 42 percent of the respondents are single while 58 percent are married.

**Table 4.5: Educational Qualification**

Qualification	Frequency	Percentage (%)
OND/NCE	52	26
HND/B.SC	108	54
M.SC / PGD	36	18
Ph.D	4	2
Total	200	100

Source: Field Survey, 2015

The table above shows that 26 percent of the respondents had OND/NCE certificate, 54 percent of the respondents had HND/B.SC degrees, 18 percent of the respondents had M.Sc/PGD degrees while 2 percent of the respondents had P.hD.

**Table 4.6: How long have you been working in the organization?**

Options	Frequency	Percentage (%)
6months – 1year	40	20
1-2years	20	10
2-3years	52	26
6years and above	88	44
Total	200	100

Source: Field Survey, 2015

From the table above, 20 percent of the respondents said they have been working in the organization for the past 6 months, 10 percent of the respondents said they have been working in the organization for the past 1 year, 26 percent of the respondents said they have been working in the organization for the past 2 years while 44 percent of the respondents said they have been in the organization for the past 6 years.

#### 4.4 Data Analysis and Interpretation of Results

**Table 4.7: Agricultural inputs pricing has a negative implication on the pricing policies in Kebbi State**

Response	Frequency	Percentage (%)
Strongly Agreed	44	22
Agreed	128	64
Disagreed	20	10
Strongly Disagreed	8	4
Total	200	100

Source: Field Survey, 2015

From the above table, 22 percent of the respondents said they strongly agreed that Agricultural inputs pricing has a negative implication on the pricing policies in Kebbi State, 64 percent of the respondents said they agreed that Agricultural inputs pricing has a negative implication on the pricing policies in Kebbi State, 10 percent of the respondents said they disagreed that Agricultural inputs pricing has a negative implication on the

pricing policies in Kebbi State while 4 percent of the respondents said they strongly disagreed that Agricultural inputs pricing has a negative implication on the pricing policies in Kebbi State.

**Table 4.8: The rising cost of agricultural inputs has a negative impact on the society**

Strongly Agreed	124	62
Agreed	32	16
Disagreed	12	62
Strongly Disagreed	32	16
Total	200	100

Source: Field Survey, 2015

From the table above, 62 percent of the respondents said they strongly agreed that the rising cost of agricultural inputs has a negative impact on the society, 16 percent of the respondents said they agreed that the rising cost of agricultural inputs has a negative impact on the society, 6 percent of the respondents said they disagreed that the rising cost of agricultural inputs has a negative impact on the society while 16 percent of the respondents said they strongly disagreed that the rising cost of agricultural inputs has a negative impact on the society

**Table 4.9: Ineffective pricing policies make a negative impact on the Nigerian economy**

Response	Frequency	Percentage (%)
Strongly Agreed	90	45
Agreed	90	45
Disagreed	10	5
Strongly Disagreed	10	5
Total	200	100

Source: Field Survey, 2015

The table above shows that 45 percent of the respondent said they strongly agreed that Ineffective pricing policies makes a negative impact on the Nigerian economy, 45 percent of the respondent said they agreed that Ineffective pricing policies makes a negative impact on the Nigerian economy, 5 percent of the respondent said they disagreed that Ineffective pricing policies makes a negative impact on the Nigerian economy while 5 percent of the respondent said they strongly disagreed that Ineffective pricing policies makes a negative impact on the Nigerian economy



**Table 4.10: The increase in agricultural inputs is impacting the most vulnerable and the poor are particularly affected, as their diets rely on the very staples that are becoming scarce or too costly**

Response	Frequency	Percentage (%)
Strongly Agreed	80	40
Agreed	94	47
Disagreed	20	10
Strongly Disagreed	6	3
Total	200	100

Source: Field Survey, 2015

The table above shows that 40 percent of the respondent said they strongly agreed that the increase in agricultural inputs is impacting the most vulnerable and the poor are particularly affected, as their diets rely on the very staples that are becoming scarce or too costly, 47 percent of the respondent said they agreed that the increase in agricultural inputs is impacting the most vulnerable and the poor are particularly affected, as their diets rely on the very staples that are becoming scarce or too costly,

10 percent of the respondent said they disagreed that the increase in agricultural inputs is impacting the most vulnerable and the poor are particularly affected, as their diets rely on the very staples that are becoming scarce or too costly while 3 percent of the respondent said they strongly disagreed that the increase in agricultural inputs is impacting the most vulnerable and the poor are particularly affected, as their diets rely on the very staples that are becoming scarce or too costly.

**Table 4.11: The rising cost of agricultural inputs are also eroding the gains of the working and middle classes**

Response	Frequency	Percentage (%)
Strongly Agreed	90	45
Agreed	60	30
Disagreed	30	15
Strongly Disagreed	20	10
Total	200	100

Source: Field Survey, 2015

The table above shows that 45 percent of the respondent said they strongly agreed that the rising cost of agricultural inputs is also eroding the gains of the working and middle classes, 30 percent of the respondent said they agreed that the rising cost of agricultural inputs is also eroding the gains of the working and middle classes, 15 percent of the respondent said they disagreed that the rising cost of agricultural inputs is also eroding the gains of the working and middle classes while 10 percent of the respondent said they strongly disagreed that the rising cost of agricultural inputs is also eroding the gains of the working and middle classes

**Table 4.12: Increase in agricultural inputs Leave Poor Hungry and Increase Poverty**

Response	Frequency	Percentage (%)
Strongly Agree	80	40
Agreed	60	30
Disagreed	40	20
Strongly Disagreed	20	10
Total	200	100

Source: Field Survey, 2015

The table above shows that 40 percent of the respondent said they strongly agreed that Increase in agricultural inputs Leave Poor Hungry and Increase Poverty, 30 percent of the respondent said they agreed that Increase in agricultural inputs Leave Poor Hungry and Increase Poverty, 20 percent of the respondent said they disagreed that Increase in agricultural inputs Leave Poor Hungry and Increase Poverty while 10 percent of the respondent said they strongly disagreed that Increase in agricultural inputs Leave Poor Hungry and Increase Poverty

**Table 4.13: What are the causes of Ineffective pricing policies in Nigeria?**

Response	Frequency	Percentage (%)
poor marketing and distribution system	56	28
High administrative costs in some government agricultural	92	46

programmes		
Uncoordinated and unstable institutional arrangements in areas of credit, loans, provision of market support, administration of price subsidy and guaranteed producer prices	52	26
Total	200	100

Source: Field Survey, 2015

From the above table, 28 percent of the respondents said the causes of Ineffective pricing policies in Nigeria is poor marketing and distribution system, 46 percent of the respondents said the causes of Ineffective pricing policies in Nigeria is High administrative costs in some government agricultural programmes while 26 percent of the respondents said the causes of Ineffective pricing policies in Nigeria is Uncoordinated and

unstable institutional arrangements in areas of credit, loans, provision of market support, administration of price subsidy and guaranteed producer prices.

**Table 4.14: Solutions to the rising cost of agricultural inputs are technical progress, quality of Labour force and availability of Raw material**

Response	Frequency	Percentage (%)
Strongly Agreed	60	30
Agreed	100	50
Disagreed	20	10
Strongly Disagreed	20	10
Total	200	100

Source: Field Survey, 2015

The table above shows that 30 percent of the respondent said they strongly agreed that Solutions to the rising cost of agricultural inputs are technical progress, quality of Labour force and availability of Raw materials, 50 percent of the respondent said they agreed that Solutions to the rising cost

of agricultural inputs are technical progress, quality of Labour force and availability of Raw materials, 10 percent of the respondent said they disagreed that Solutions to the rising cost of agricultural inputs are technical progress, quality of Labour force and availability of Raw materials while 10 percent of the respondent said they strongly disagreed that Solutions to the rising cost of agricultural inputs are technical progress, quality of Labour force and availability of Raw materials

**Table 4.15: There is relationship between price fluctuations and household consumption in Nigeria.**

Response	Frequency	Percentage (%)
Strongly Agreed	90	45
Agreed	60	30
Disagreed	30	15
Strongly Disagreed	20	10
Total	200	100

Source: Field Survey, 2015

The table above shows that 45 percent of the respondent said they strongly agreed that there is relationship between price fluctuations and household consumption in Nigeria, 30 percent of the respondent said they agreed that there is relationship between price fluctuations and household consumption in Nigeria, 15 percent of the respondent said they disagreed that there is relationship between price fluctuations and household consumption in Nigeria while 10 percent of the respondent said they strongly disagreed that there is relationship between price fluctuations and household consumption in Nigeria.

**Table 4.16: There is a significant relationship between rising cost of agricultural inputs and Poverty in Nigeria**

Response	Frequency	Percentage (%)
Strongly Agreed	80	40
Agreed	94	47
Disagreed	20	10
Strongly Disagreed	6	3
Total	200	100

Source: Field Survey, 2015



The table above shows that 40 percent of the respondent said they strongly agreed that there is a significant relationship between rising cost of agricultural inputs and Poverty in Nigeria, 47 percent of the respondent said they agreed that there is a significant relationship between rising cost of agricultural inputs and Poverty in Nigeria, 10 percent of the respondent said they disagreed that there is a significant relationship between rising cost of agricultural inputs and Poverty in Nigeria while 3 percent of the respondent said they strongly disagreed that there is a significant relationship between rising cost of agricultural inputs and Poverty in Nigeria.

#### **4.5 Test of Hypothesis**

##### **4.5.1 Research Question/Hypothesis I**

Ho1: That there is no relationship between price fluctuations and household consumption in Nigeria

Ho2: That there is relationship between price fluctuations and household consumption in Nigeria.

Ho3: That there are implications of price increase on agricultural inputs in Kebbi State.

**Table 4.17: There is relationship between price fluctuations and household consumption in Nigeria**

	Male	Female
Strongly Agreed	80	10
Agreed	30	30
Disagreed	10	20
Strongly Disagreed	12	8
Total	132	68

O	E	O-E	(O-E) <sup>2</sup>	(O-E) <sup>2</sup> E
80	59.4	20.6	424.36	7.14
10	30.6	-20.6	424.36	13.87
30	39.6	-9.6	92.16	2.33
	20.4	9.6	92.16	4.52
	19.8	-9.8	96.04	4.85
	10.2	9.8	96.04	9.42

	13.2	-1.2	1.44	0.11
	6.8	1.2	1.44	0.21
				42.36

$$X^2 = 42.36$$

The hypothesis formulated is tested by means of the Chi-square.

The chi-square is 42.36, which shows that the chi square calculated is greater than the chi-square tabulated (3.84).

As a decision rule, if the computed value of Chi-square is less than the critical value of  $X^2$  at 5% level of significance, the null hypothesis ( $H_0$ ) is accepted, while the alternative hypothesis ( $H_1$ ) is rejected. The reverse is however the case if the computed value of  $X^2$  is greater than the critical value at the chosen level of significance.

Conclusion: since the computed value of chi - square (42.36) is greater than the critical value (3.84), therefore the Alternative hypothesis ( $H_1$ ) “There is relationship between price fluctuations and household consumption in Nigeria” is accepted.

#### 4.5.2 Research Question/Hypothesis 2

Ho1: There is no significant relationship between rising cost of agricultural inputs and Poverty in Nigeria

Ho2: There is a significant relationship between rising cost of agricultural inputs and Poverty in Nigeria.

Ho3: That there are implications of price increase on agricultural inputs in Kebbi State.

**Table 4.3.18: There is a significant relationship between rising cost of agricultural inputs and Poverty in Nigeria**

	Male	Female
Strongly Agreed	70	10
Agreed	44	50
Disagreed	15	5
Strongly Disagreed	3	3
Total	132	68

O	E	O-E	(O-E) <sup>2</sup>	(O-E) <sup>2</sup> E
70	52.8	17.2	295.84	5.60
10	27.2	-17.2	295.84	10.88
44	62.04	-18.04	325.44	5.25
50	31.96	18.04	325.44	10.18
15	13.2	-1.8	3.24	0.25
5	6.8	1.8	3.24	0.48
3	3.96	-0.96	0.92	0.23
3	2.04	0.96	0.92	0.45
				33.32

$$X^2 = 33.32$$

The hypothesis formulated is tested by means of the Chi-square.

The chi-square is 33.32, which shows that the chi square calculated is greater than the chi-square tabulated (3.84)

As a decision rule, if the computed value of Chi-square is less than the critical value of  $X^2$  at 5% level of significance, the null hypothesis ( $H_0$ ) is accepted, while the alternative hypothesis ( $H_i$ ) is rejected. The reverse is however the case if the computed value of  $X^2$  is greater than the critical value at the chosen level of significance.

Conclusion: since the computed value of chi - square (33.32) is greater than the critical value (3.84), therefore the Alternative hypothesis ( $H_i$ ) “There is a significant relationship between rising cost of agricultural inputs and Poverty in Nigeria” is accepted.

#### **4.6 Discussion of Findings**

Based on the above analysis, the world faces food supply catastrophe, hunger and tsunami are threatening the sovereignty of nations and the future of the human race. The increase in agricultural inputs is impacting on the most vulnerable and the poor are particularly affected, as their diets rely on the very staples that are becoming scarce or too costly like cereal grains, cooking oil, and dairy. However, the crisis is being felt not only by the poor, but is also eroding the gains of the working and middle classes, and that has brought about protests in some countries.

From the Analysis, 45 percent of the respondent said they strongly agreed that there is relationship between price fluctuations and household

consumption in Nigeria, 30 percent of the respondent said they agreed that there is relationship between price fluctuations and household consumption in Nigeria, 15 percent of the respondent said they disagreed that there is relationship between price fluctuations and household consumption in Nigeria while 10 percent of the respondent said they strongly disagreed that there is relationship between price fluctuations and household consumption in Nigeria.

Also, 40 percent of the respondent said they strongly agreed that there is a significant relationship between rising cost of agricultural inputs and Poverty in Nigeria, 47 percent of the respondent said they agreed that there is a significant relationship between rising cost of agricultural inputs and Poverty in Nigeria, 10 percent of the respondent said they disagreed that there is a significant relationship between rising cost of agricultural inputs and Poverty in Nigeria while 3 percent of the respondent said they strongly disagreed that there is a significant relationship between rising cost of agricultural inputs and Poverty in Nigeria

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATION**

#### **5.1 Summary**

This study attempted to evaluate the impact of pricing policies of agricultural inputs in Kebbi State, Case Study of KASCOM Nigeria Limited.

The analysis in chapter four achieved the objectives of the study. The analysis examined causes of pricing policies in Kebbi State, and analyzed the effects of pricing policies in Kebbi State also, the findings indicated that there is relationship between price fluctuations and household consumption in Nigeria and that there is a significant relationship between rising cost of agricultural inputs and Poverty in Nigeria.

The questionnaire analysis shows that 45 percent of the respondent said they strongly agreed that the rising cost of agricultural inputs is also eroding the gains of the working and middle classes, 30 percent of the respondent said they agreed that the rising cost of agricultural inputs is



also eroding the gains of the working and middle classes, 15 percent of the respondent said they disagreed that the rising cost of agricultural inputs is also eroding the gains of the working and middle classes while 10 percent of the respondent said they strongly disagreed that the rising cost of agricultural inputs is also eroding the gains of the working and middle classes.

Thus, 40 percent of the respondent said they strongly agreed that Increase in agricultural inputs Leave Poor Hungry and Increase Poverty, 30 percent of the respondent said they agreed that Increase in agricultural inputs Leave Poor Hungry and Increase Poverty, 20 percent of the respondent said they disagreed that Increase in agricultural inputs Leave Poor Hungry and Increase Poverty while 10 percent of the respondent said they strongly disagreed that Increase in agricultural inputs Leave Poor Hungry and Increase Poverty

Furthermore, 28 percent of the respondents said the causes of Ineffective pricing policies in Nigeria is poor marketing and distribution system, 46 percent of the respondents said the causes of Ineffective pricing policies in Nigeria is High administrative costs in some government agricultural programmes while 26 percent of the respondents said the causes of Ineffective pricing policies in Nigeria is Uncoordinated and unstable

institutional arrangements in areas of credit, loans, provision of market support, administration of price subsidy and guaranteed producer prices.

## **5.2 Conclusion**

Several factors affect stable food production in Nigeria other than rainfall which is a natural constraint. These factors range from unimproved mechanized farming, unimproved seedlings, inadequate pesticide and disease control, unimproved irrigation system, unimproved manure systems, Adhoc planning and inconsistent government agricultural policies, bad governance noticed in excess funding of food importation, reduced assistance and investments by developed countries to the developing economies, conversion of food into fuel and animal feed, the linkage of agricultural inputs to oil prices, and the current global financial squeeze which has a viscous effect. These constraints are categorized into sector wide constraints and commodity specific constraints.

Nigeria staple food production has experienced a declining average growth rate of 3.7% with corresponding growth rates of 1.5% and 2.2% growth rate for food import expenditure and population respectively. This presupposes that the Malthusian thinking of geometric rise in population against arithmetic progression in food production is attainable in Nigeria if

nothing is done speedily to ameliorate the attendant problems associated with food supplies.

This means staple food production is growing less than proportionate to population, as such the MDG goal of halving extreme hunger by 2015 given the Nigeria scenario is but a mirage. This gloomy scenario is painted via the low numbers recorded in GDP of crops and its declining contribution to the nation's GDP. This growth rates are given as 0.4% and 9.6% respectively.

Staple food production which is growing at a declining rate than population has its effects worst hit at the rural areas, which have recorded extreme hunger conditions.

Government monetary action tends to send the wrong signals which are counteractive to its agricultural strategies. This explains the galloping inflationary rates and high cost of borrowing, which further explanations on the nation's viscous circle of poverty. Gloomy performance of government operations on guaranteed loans to farmers is a good pointer.

In conclusion, it could be said that, the attainment of one of the objective of the MDG, which is the halving of hunger in Nigeria can only be achieved, if the right structural framework is laid. In other words, if the Nigerian government can harness its resources properly by driving critical

improvements in areas of irrigation systems, better agricultural institutions and agricultural extension services, as well maintaining consistency in its policies, would not only bring about increased staple food production but also its equitable distribution to the generality of the Nigeria citizenry.

### **5.3 Recommendations**

Based on the findings and conclusion of this study, the following recommendations are made

1. The regulation of markets by setting prices of goods is critical in creating the requisite encouragement for local farmers to increase production as well as enhancing equitable distribution and consumption of staple foods which can reduce importation of food. This would therefore entail the establishment of regulatory institutions to assist in the actualization of this objective. It is further suggested that the general public apathy towards consumption of food produced in the country against foreign foods as a habit should be discouraged.
2. The country should adopt the new combined weather and crop forecasting system as developed in advanced economies. This allows for information from the most current climate and weather forecasting models to be used directly to stimulate crop harvest. With this system, one can begin to represent crop/atmospheric interactions in a realistic manner.

3. That since factors leading to increased prices and resultant food crisis are diverse and complex, improvements are required in the factors which impact on food supply and demand, this include, land and water constraints, under investment in rural infrastructure and agriculture, inaccessibility by farmers to fertilizer and good irrigation systems, poor trade policies; to reduce waste in staple food production by the provision of storage facilities, minimization of the rising energy prices and thus conversion of crop land to biofuel production, reduction of population growth, globalization of food markets, and the minimization of the ever changing diets of the citizenry.
4. That government should set the right machinery towards reducing leakages noticed in the funding of food importation which would enhance good governance.
5. That Ukase (2007) suggestion that on the basis of comparative advantage each State be encouraged to specialize in a single crop production to maximize the country's staple food gains is but novel in its thinking.
6. That government should always be mindful that its monetary and fiscal actions should not be counteractive to the country's agricultural strategies.

7. That NGOs and civil organizations aside providing agricultural extension services to farmers on educating them on the right use of agricultural loans should also not rest on their oars of ensuring that people entrusted with public offices are sensitive and responsive to the agricultural needs of the Nigerian citizenry.

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## **APPENDIX A**

### **QUESTIONNAIRE FORMAT**

Department of Public Administration  
Faculty of Management Sciences  
UsmanuDanfodio University  
P. M. B. 2346  
Sokoto  
Sokoto State

*Dear Sir/Madam,*

The researcher is a student of the above named institution. I am conducting a research on; Assessing the Impact of pricing policy of agricultural inputs in Kebbi State. A case study of KASCOM Nigeria Limited.

It is expected that your responses would be useful and would aid this research greatly. The researcher wishes to mention that this effort is just an academic exercise and promise to treat every piece of information reserved with outmost confidentiality.

Yours sincerely

Umar Babangida Nasir

## **APPENDIX B**

### **QUESTIONNAIRE**

#### **BIO-DATA**

##### **SECTION A: RESPONDENTS DEMOGRAPHY**

(i) Sex: (a) Male (b) Female

(ii) Age: (a) 18-30 Years (b) 31-40 Years (c) 41-50 Years (d) 51 Years and above

(iii) Marital Status: (a) Single (b) Married

(iv) Educational Qualification: (a) SSCE (b) NCE/ND (c) HND/B.Sc. (d) PG and above

(v) How long have you been working in the organization: (a) 6months – 1yr (b) 1-2years (c) 2-3years (d) 6yrs and above

##### **SECTION B**

1. Agricultural inputs pricing has a negative implication on the pricing policies in Kebbi State

(a) Strongly Agreed( ) (b) Agreed( ) (c) Disagreed( )

(d) Strongly Disagreed ( )

2. The rising cost of agricultural inputs has a negative impact on the society

(a) Strongly Agreed( ) (b) Agreed( ) (c) Disagreed( )

(d) Strongly Disagreed ( )

3. Ineffective pricing policies make a negative impact on the Nigerian economy

(a) Strongly Agreed( ) (b) Agreed( ) (c) Disagreed( )

(d) Strongly Disagreed( )

4. The increase in agricultural inputs is impacting the most vulnerable and the poor are particularly affected, as their diets rely on the very staples that are becoming scarce or too costly

(a) Strongly Agreed( ) (b) Agreed( ) (c) Disagreed( )

(d) Strongly Disagreed( )

5. The rising cost of agricultural inputs are also eroding the gains of the working and middle classes

(a) Strongly Agreed ( ) (b) Agreed( ) (c) Disagreed( )

(d) Strongly Disagreed ( )

6. Increase in agricultural inputs Leave Poor Hungry and Increase Poverty

(a) Strongly Agreed( ) (b) Agreed( ) (c) Disagreed( )

(d) Strongly Disagreed( )

7. What are the causes of Ineffective pricing policies in Nigeria?

(a).....

(b).....

(c).....

(d).....

8. Solutions to the rising cost of agricultural inputs are technical progress, quality of Labour force and availability of Raw material

(a) Strongly Agreed ( ) (b) Agreed ( ) (c) Disagreed( )

(d) Strongly Disagreed( )

9. There is relationship between price fluctuations and household consumption in Nigeria

(a) Strongly Agreed( ) (b) Agreed ( ) (c) Disagreed( )

(d) Strongly Disagreed( )

10. There is a significant relationship between rising cost of agricultural inputs and Poverty in Nigeria

(a) Strongly Agreed( ) (b) Agreed( ) (c) Disagreed ( )

(d) Strongly Disagreed ( )

