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Estimating the relationship between Finnish spending behaviour and
income in comparison to Nigeria.

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2013 Otaniemi

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and income in comparison to Nigeria.

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Degree Programme in Business Management
Bachelor's Thesis
April, 2014.

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Year	2013	Pages	xx
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The need for business firms to expand business networks beyond the shores of its country entails taking strategic business decisions which could make or mar the business ideas or put the survival of the business in jeopardy if not properly planned. Hence, it is paramount to have in-depth knowledge of the economy that the firm intends to invest into. This is an empirical research work, designed to act as a planning tool for investors who intend investing into both Finnish and Nigerian market as it bring to fore major areas where residence of both countries spend their income earnings by estimating the relationship between the income and expenditures.

The essence of establishing the relationship is to know the various sources of expenditure of residence of Finland, which of these expense lines gulp more of their income, with a slight increase in income which expenditure line(s) are they likely to spend it on, are there rooms for the new entrants into the market where residence of Finland spend large portion of their income and so on. This thesis will also present this fact in comparison with other countries like Nigeria. The essence of the comparison is to understand what is obtainable in other countries and what opportunities, if any; that maybe taken advantage of.

In order to meet up with this task; the thesis employed the use of empirical research technique to obtain relevant information through the designing of a research questionnaire which were distributed among the residence of both countries. This is to give an idea into areas of the economy where income earned is being channeled to or expended on. The choice of residence of both countries is based on the fact that, all classes of residence has got an income level to spend per week irrespective of the amount. Hence, it will be a wise idea for an entrepreneur to produce goods or services that will meet the needs of this people.

In order to ensure the success of the questionnaire distribution, efforts were concentrated on residences within the capital area of Helsinki including Helsinki, Espoo, Kauniainen and Vantaa. In Nigeria, the major and business areas of Lagos, Port Harcourt and Abuja are consid-

ered as a result of time and other resource constraints at the disposal of the researcher. More so, in order to ensure quick and prompt response, the questions will be simple and concise.

From the collected data, it is deduced that the residence of both countries spend their income largely on basic amenities such as housing, feeding and clothing with residence of Finland having the tendencies to even spend more on leisure such as travelling, clubbing and so on if current earnings are increased. The research also revealed that there are different pattern of expenditures in both countries. The level of expenditure is tailored along with the purchasing power and also the taste of the residence. Hence, expenditure depends largely on earnings capacity.

Although the quality of life and standard of living differs considerably in both economy; bearing in mind that the cost of living also differs. Be that as it may, the population parameters of both countries suggest that consumer products and durable goods are likely goods that will thrive in Nigeria market.

Income Pattern, Economic system, multiple regressions, Population data,

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1 Introduction

This is the chapter that introduced the research idea of the thesis and gives an overview of the thesis process. The background information and limitation of the study also form part of the contents of this chapter.

1.1 Background of the study

In recent years, firms and business organizations are becoming to understand the importance of maintaining local business participation while also ensuring global presence in other parts of the world (Metso Annual Report 2012). Doing business beyond borders could possess some challenges which if not carefully examined; may ruin the chances of success immediately after investment. Some of these challenges include but not limited to problems of breaking into a new market, understanding the taste and preference of the intending consumers, product designing and packaging, marketing and advertisement strategies and so on. Expanding business networks beyond the shores of a country entails taking strategic business decision which could make or mar the business ideas or put the survival of the business in jeopardy if not properly planned. Unhealthy competition on the home front is one of the factors forcing business firms abroad. Firms in their quest to search for virgin market and invest in other areas move to other parts of the world where people are in dire need of the services being rendered or goods being produced not closing its eyes to the realities of risk inherent in pursuing such task (Burns, A.C. and Bush, R.F. 2009).

Consequently, it is of importance making all necessary findings about the proposed economy which a business firm intends to invest and expand business output. The discovery of new market opportunities is made possible via marketing research. Some of the important information that may be obtained via marketing research includes but not limited to; what are the needs of the consumers that are yet to be met, what are quality levels that are being expected, what price are the customer's willing to pay in exchange for the value being rendered and so on (Burns, A.C. and Bush, R.F. 2009). In view of this, a careful business feasibility studies is necessary in order to critically evaluate the strengths, weaknesses, opportunities and threats that are eminent in the chosen line of business in the intended economy. Legal and regulatory issues, political and economic factors are some of the factors to be considered when analysing the possibility of doing business abroad. A careful analysis of the economy will reveal the areas to investment opportunities, the legal and regulatory requirement, the incident costs and profit possibilities.

This is an empirical research work that is designed to act as a planning tool for investors who intend investing into both Finnish and Nigerian market. The importance of customer's satisfaction cannot be viewed with levity by any profit-making organization that intends to still remain in business and ensure optimum profitability (Tracy B. 2008) especially when going abroad. This thesis will delve into establishing the relationship existing between Finnish spending behaviour and their income as compared to Nigeria using multiple regression analytical tools. The essence of establishing the relationship is to know the various sources of expenditure of residence of Finland, which of these expense lines gulp more of their income, with a slight increase in income which expenditure line are they likely to spend it on, are there rooms for the new entrant into the market where residence of Finland spend large portion of their income and so on. This thesis will also present this fact in comparison with other countries like Nigeria. The essence of the comparison is to understand what is obtainable in other countries and what opportunities, if any; that maybe taken advantage of.

1.2 Purpose of the Thesis

The main idea behind this research work is to investigate the present consumption and spending pattern of the residence of Finland and comparing the performance with other country like Nigeria. The thesis will estimate the existing relationship between the level of income and consumption in both economies. It will also delve into analysing the various expenditure lines of residence of Finland and also that of Nigeria.

This thesis will further employ the use of empirical research technique in order to obtain relevant information through the designing of a research questionnaire. The research questionnaire will be distributed among the residence of both countries. This is to give an idea into areas of the economy where income earned is being channeled to or expended on. The choice of residence of both countries is based on the fact that, all classes of residence has got an income level to spend per week irrespective of the amount. Hence, it will be a wise idea for an entrepreneur to produce goods or services that will meet the needs of this people.

1.3 The Research Idea

The research idea is borne out reasoning to understand the relationship existing between the income and expenditure of residence of Finland. This desire further spur the need to reason that a critical examination of the expenditure line of an economy; may give an in depth idea about which expense line gulp more of the residence's income which invariably may be a viable business avenue area for an investor to channel his investment. Furthermore, in quest to know what is obtainable in other economy give birth to the comparison between the Finnish parameters and that of Nigeria.

This reasoning gave birth to this research work. A further thinking also give justifications to why this research is a relevant material to both local and foreign investors; and also research students who will see need to improve on what has been prepared in this study.

1.4 Limitation of the thesis

The scope of this thesis work concerned majorly with estimating the relationship between the income and expenditure of residence of Finland and Nigeria and as such the estimated relationship may not be appropriate for the economy of other countries as the relevant data will definitely be different.

In order to ensure the success of the questionnaire distribution, efforts will be concentrated majorly on residences within the capital area of Helsinki which includes Helsinki, Espoo, Kauniainen and Vantaa. Likewise in Nigeria, it will also cover the major and business areas of Lagos, Port Harcourt and Abuja this is as a result of time and other resource constraints at the disposal of the researcher. More so, in order to ensure quick and prompt response, the questions will be simple and concise.

1.5 Framework of the thesis

The research work has been sub-divided into five (5) chapters, which includes Introduction, theoretical framework, research methodology, result and analysis; and lastly discussion and recommendation.

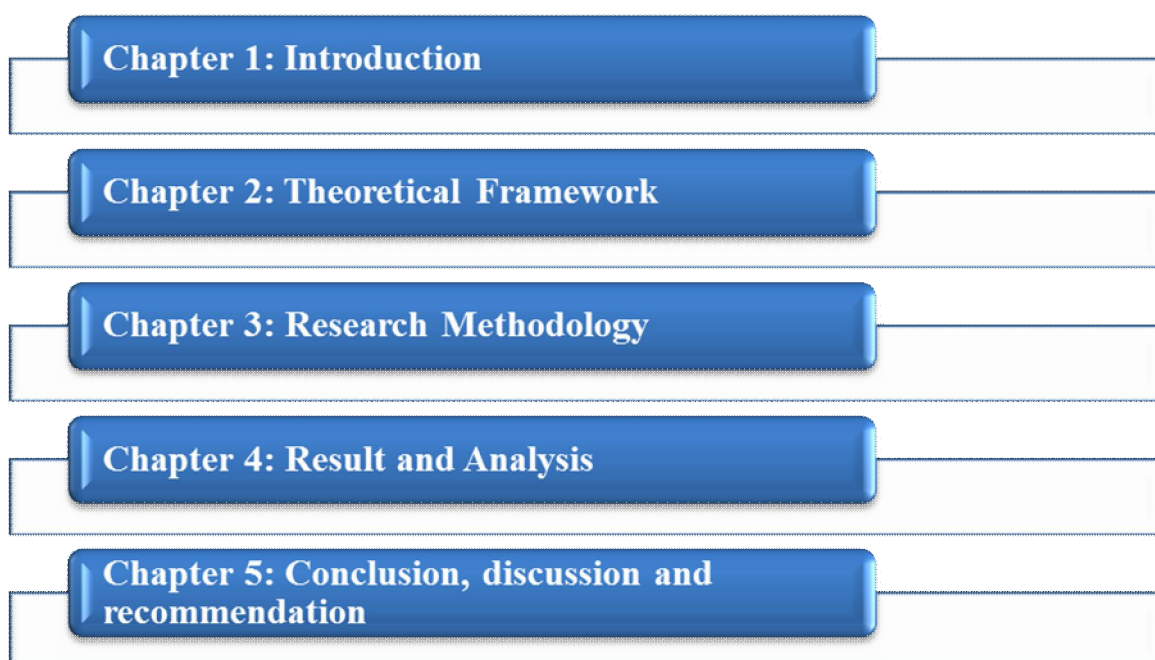


Figure 1.1: The Thesis Framework

The introduction page is meant to give a brief and introductory description of the thesis. It gives an explanation about the factors that necessitates the needs for the thesis, the problems the thesis intends to solve, the purpose and limitation of the thesis. This chapter also gives an overview of the thesis structure. Chapter two (2) defines the key terms that could cause ambiguities to the intended readers while also explaining the relevant related theoretical background to the study. Key terms like regression analysis, economic system, economic parameters like gross domestic product, circular flow of income and so on are clearly defined and explained in order to ensure that the readers have an in-depth understanding of the subject topic. The economic information of the case the countries - Finland and Nigeria are also mentioned. Chapter three (3) briefly explain the various research methodological approaches employed in the course of carrying out this research work. It defines and explaining the method of data collection employed in collecting the used data. The pitfalls and reliability of the methods are also mentioned. Data presentation and analysis forms the contents for chapter four (4). The collected data were scrutinized before presentation in the chapter. The collected data were further analyzed in order to come with conclusion, discussion and recommendations which are the contents of chapter five (5).

2 Theoretical background

This chapter explained the related literatures to the main subject of this research work. It defines certain terms like economic system, regression analysis, population statistics of both countries were also mentioned and likewise every other related terms such as taxation, GDP, national Income and so on.

2.1 Economic System

Economic system refers to the various combination of production decisions in order provide a solution to the economic problems of what to produce, how to produce and for whom to produce (Hornby W., Gammie B. and Wall S. 2006). Economic system tries to explain the various options that can be employed while making a decision in respect of what to produce. It therefore involves production, the allocation of scarce economic resources, the various distribution channels and the final consumers. Scarcity of economic resources necessitates the importance for choice amidst competing needs ranked in order of priority. Economic decision making is a major factor for consideration when explaining the various broad categories of economic system and likewise the motives behind the solutions to all these economic problems (Nwachukwu M.O. 2005).

In any system of economy, there is a circular flow of income which explains how economic benefits such as rent received on the usage of land, interest on capital, profits on entrepreneurial ideas and salaries on labor change hands from one source to another. The circular flow of income is a model that tries to describe how all the factors of production that are involved in economic decisions making process interacts with each other in order to proffer solution to various economic problems - what to produce, how to produce and for whom to produce .

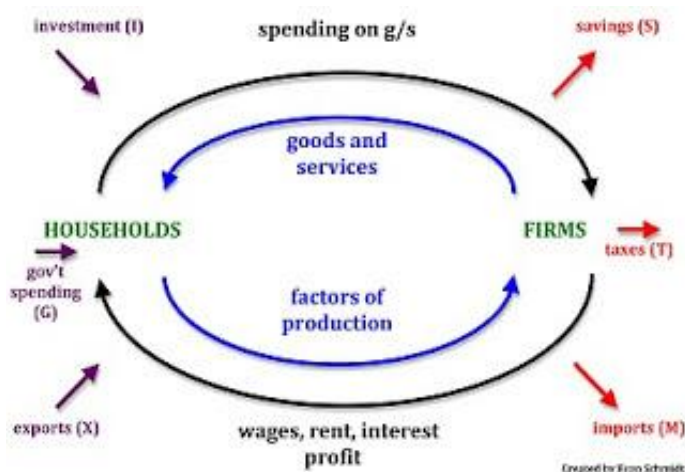


Figure 2: Diagrammatic representation of circular flow of income. This is culled from <http://schmidtomics.blogspot.fi/2010/05/circular-flow-of-income.html>. Accessed on 20 February 2014.

From the diagram, the government which is the agent for the successful operation of the system is expected to be at the center. To the right, you have the Firms which employs the use of factors of production such as labour, capital, entrepreneur and land in the production process. The firms pay wages in exchange of the service being rendered to the firm by the labourers, interest as cost of capital to financial institutions and individual capital owners from which loans are obtained for effective running of the business and settlements of bills and obligations, profit to entrepreneurs who had invested time and intellectual capabilities in the successful running of the business and rent to the land owners where business is being conducted. Taxes are also paid to the government for the successful running of the economic system. All the aforementioned transactions take place in the factor market.

The households on the other hand received income in the form of wages from labour services, interest received on money borrowed to firms, profit in the form of dividend received from shareholding in the firm and rent from land given out to business owners. All the earnings in the form of wages, interest, rent and profits are expended on the consumption of goods produced by the firm in the product market and savings. The household also pay income tax to the government. All of these transactions take place in the Product market.

2.2 Forms of Economic System

There are basically three major forms of economic systems. These economic systems are briefly explained as follows:

2.2.1 Capitalist System of Economy

The Capitalist system of economy involves the private ownership of factors of production without government interference. This system ensures that individuals have the freedom to conduct business activities using the factors of production such as land, labor, capital and entrepreneurial skills in order to solve basic economic problems. Such freedom is exercised by individuals and private business organizations. The capitalist system is also known as market economy (Brighton, D. and Smithin, J. 2009).

In capitalist economy, the forces of demand and supply interact in order to determine what to produce, for whom and at what price. Hence, the capitalist system ensures that only goods which consumers are willing to buy at a certain price; usually the equilibrium price; that is enough for the producer to break even are offered to the market by the producer. The United State of America is a good example of a capitalist state.

One of the major disadvantages of this system of economy is that the private ownership of factors of production allows the poor to be marginalized since profitability is the motive of the business owners at the detriment of the poor masses which includes both the employees and the consumers. There is also unhealthy rivalry among the business owners which leads to wastages and in the long run monopolist as the less powerful business firms were edged out of business. The emergence of monopolistic power further worsened the situation of the masses, as the monopolistic firm has total control of what quantities to be produced and at what price the product will be offered most especially where the goods or services are essential to the survival of the masses. These include such services or products like food products, housing, transport and so on (Griffiths, A. & Wall S. 2008).

2.2.2 Socialist System of Economy

This is the direct opposite of the capitalist economy. This involves government ownership of factors of production and total absence of private ownership. The government and its agencies determine what to be produced, for whom to be produced and what quantity to be produced. The government is charged with the responsibility of determine what product and services are needed by the masses and resources are channeled towards the ensuring the production of such services.

The government is solving these economic problems with the masses at the back of its mind. The government owns all the factors of production and used it as it deems fit in order to solve various economic problem. The Old USSR is a good example of a socialist state. The socialist system of economy is also known as command economy.

One of the disadvantages of this system of economy is the fact that the consumer has no choice of consuming what they want but rather consume what the government provides for them. On the other hand, there is absence of wastage of resources as present in capitalist economy as there are no rivalries of business firms. In the same vein, the masses are adequately catered for (Brighton, D. and Smithin, J. 2009).

2.2.3 Mixed System of Economy

This is a blend of both socialist and capitalist system of economy. There is a bit of government in the offering of economic solution to the basic economic problems while at the same time the forces of demand and supply is allowed to determine what the consumers will spend their earned income on with the involvement of private businesses owning factors of production. This is the most widely used system of economics as it combines both the features of socialist and the capitalist forms of economy (McAleese D. 2004).

One of the major disadvantages of the system is the fact that there are government monopoly on certain essential services which invariably prevent competition that would have driven the economy into growth and development (Griffiths, A. & Wall S. 2008).

2.3 General Overview of the Finnish economy

The essence of this section is to give an historical overview of the Finnish economy in order to have an understanding of the characteristics of the Finnish economy.

2.3.1 Brief Historical Background

Finland, prior to its independent in 1917 has a strong economic tie with its two former colonial masters which are Russia and Sweden. Despite the fact that Finland is popularly tagged as "country of forest and lakes"; it has in the past few years improved its economy to a large extent and was in recent years rated as one of the best performing economies within the European Union. This fact could be attested to as most of its banks were not largely affected by global financial and economic crisis in 2009. As a result of its climate condition, forestry is more like an alternative source of occupation for rural dwellers while agriculture is maintained in order to meet certain basic needs.

Finland became a member of the European Union in 1995 and has its currency as Euro. It presently has a population of about 5.3million and its capital city as Helsinki with a total area of 338,000km². Finland is a formidably competitive manufacturing economy with a capita output a little bit higher than that of other strong European economy such as Belgium, Sweden, Austria and the Netherlands. Finland, over the years has developed into a modern competitive economy with strong presence in telecommunication gadgets like mobile phones. Its main exports channel include wood, metals, engineering, telecommunication and electronics industries which accounts for 33.33% of its Gross Domestic Product, that is one third of its GDP. Finland on the other hand depends on other countries for importation of raw materials, energy, and some parts of manufacturing process. Hence, trading is a part and parcel of Finnish economy.

This economy is predominantly services oriented; with an average of 65.7%, while manufacturing and refining takes about 31.4% and Primary Production takes 2.9%. Finish unemployment rate as at September 2012 is estimated as 7.9% with inflation at 3.3% based on 2011 estimate (<https://www.cia.gov/library/publications/the-world-factbook/geos/fi.html>).

2.3.2 Finnish population structure.

According to 2012 estimate of the Central Intelligent Agency (CIA) of the United State of America, Finnish population is estimated to be approximately about 5.3million people. The population ratio of male to female is 0.96 male per every female which suggest that 48.9% of the total population are Male while 51.1 are Female.

Age Group	Males	Females	Total	Percentage (%)
0-14 Years	426,501	411,897	838,398	15.9%
15-64	1,745,531	1,705,782	3,451,313	65.6%
65 -	403,848	569,371	973,219	18.5%
Total	2,575,880	2,687,050	5,262,930	100%

Table 1: Finnish Population Table.

According to 2012 estimate of the Central Intelligent Agency (CIA) of the United State of America, the Finnish population growth rate is 0.065% per annum while the birth rate is estimated as 10.36 births out of every 1000 population. Death rate on the order than, stood at 10.33 deaths per 1000 population. The total fertility rate suggest that 1.73 children born per woman. Base on the population figure available, in the long run; Finland will need to address

the rapid ageing population and decreasing productivity that threatens economic growth and likewise fiscal sustainability.

2.4 General Overview of Nigerian economy

This section is designed to give an historical view of Nigeria as a country. Its population structure, economic system, historical background and so on. This will enable us to know one or two things about the country.

2.4.1 Historical Background

Nigeria economy has a dual economy with a modern segment with its over dependence on the oil sector while the old era of the early 60's were predominantly agricultural sector and trading economy. Prior before her independence in 1960 and during the period of 1960-70, the economy was mainly agrarian in nature and agriculture accounted for more than 50% of its GDP. Agriculture which also is the main source export earnings for the country within this period also forms the bulk of her public revenue. The gross domestic product (GDP) within this period is recorded and estimated to be 3.1% growth rate annually. During the oil boom era of 1970 -1978; there is a shift from agricultural sector to oil. The shift is as a result of the huge public revenue being accounted for by the exporting earnings from oil. GDP growth rate grew slightly from 3.1% during the previous era to 6.2% during the oil boom era. 95% of foreign exchange of Nigeria was accounted for by the oil boom and about 65% of public funds. Since the discovery of oil during the 70's, the largely subsistence agricultural sector in Nigeria has not been able to keep pace with the ever growing Nigerian population. As such, there is need to import food out of the huge foreign exchange earnings received that are accounted for by the oil sector. The growth of Nigeria economy during this period was erratic as there is no specific pattern for the growth, as it is specifically subject to and driven by fluctuations in the prices of the global oil market (Ekpo, A.H. & Umoh, O.J. 2010).

It is worthy of note that the GDP dropped from 63% in 1960 to 34% in 1988 as a result of neglect of the agricultural sector and over dependence on the oil sector. The agricultural sector suffered from low commodity prices within this period and huge labor were lured away from farming in rural areas as a result of improved earnings from the discovery of oil in the urban areas. During the period of 1978 - 1988, there is an improved activity in the manufacturing industries as a result of activities in mining, most especially in petroleum.

Gross Domestic Product when express as a percentage of investment decreased significantly from 16.3% in 1965 -1973 period to 14% in 1980-1988. Inflation rate also grew significantly from 5% in 1976 to 41% in 1986. This is as a result of excess liquidity in the economy accounted for by the huge foreign exchange earnings from the oil sector and shortage of food products as a result of neglects of the agricultural sector. This is has led to fall in standard of liv-

ing and decline in economic growth. Nigeria economic problem could be traced largely to the inability of the government to diversify the economy and make judicious use of the scarcely available resources at its disposal.

2.4.2 Nigerian population structure.

Nigerian population estimate stood at 170.1million based on the 2012 estimate of the Central Intelligent Agency (CIA) of the United State of America.

Age Group	Males	Females	Total	Percentage (%)
0-14 Years	38,232,053	36,483,243	74,715,296	15.9%
15-64	44,862,457	45,484,314	90,346,771	65.6%
65 -	2,325,682	2,735,991	5,061,673	18.5%
Total	85,420,192	84,703,548	170,123,740	

Table 2: Nigerian Population Table.

The population ratio of male to female in Nigeria is 1.01 male per every female which suggest that 50.2% of the total population are Male while 49.8% are Female. Based on 2012 population estimates, Nigerian population growth rate is expected to be 2.553%. Birth rate suggests that there are 39.23 births out of every 1000 population. Total fertility rate suggest that there are 5.38 children born per woman while infant mortality rate stood at 74.36 deaths out of every 1000 live births.

2.5 Regression Analysis

Regression analytical tool originates from the field of statistics and has over the years found its relevance in order fields such as Economics, Finance, Business Management etc. The original form of regression analysis was the ‘‘The Method of Least Squares’’ that was originally designed and published by both Legendre and Gauss in 1805 and 1809 respectively. During the nineteenth century, Francis Galton used the term regression to describe a biological phenomenon (Olaniyan, G.F. 2010).

Regression analysis is a statistical analytical technique designed for estimating the relationship existing between two or more variables. The attention of regression analysis is based on the relationship existing between a dependent variable and one or more independent variables. With the regression analysis; it is possible to understand how the values of the dependent variable changes when there is a change in any of the independent variables while other variables remain constant (Olaniyan, G.F. 2010).

It is often used by an investigator when there is need to seek and ascertain casual effect of one variable upon the other variables. That's the effect of changes in one variable over other. Take for an instance, the effect of changes in the supply of money in an economy upon the rate of inflation can be ascertained using regression analytical method. The regression function is a function that mathematically expresses the relationship between the independent variable and its accompanied dependent variables.

$$y_i = \beta_0 + \beta_1 x_i + \varepsilon_i, \quad i = 1, \dots, n.$$

Where:

y_i	=	represents the independent variable
β_0	=	represent one of the linear parameters
β_1	=	represent the other parameters
ε_i	=	represent the error term
x_i	=	represent the dependent variable

Regression analysis is an analytical tool that is widely used for prediction and forecasting.

2.6 Types of Linear Regression Curves

This section explained about what linear regression curves are, what regression curves are to be used for and the two major types of regression curves.

2.6.1 Simple Linear Regression (SLR) Curve

Linear regression is regression curve that describes the relationship between a scalar dependent variable, y_i and one or more explanatory variables represented by x_i . A situation where there is one only one explanatory variable often referred to as x_i is termed *Simple Linear Regression*. Linear model forms the basis for linear regression analysis. "Linear regression was the first type of regression analysis to be studied rigorously, and to be used extensively in practical application". This is due to the fact that models which are linearly dependent on their unknown parameters are easier to fit than models which are non-linearly related.

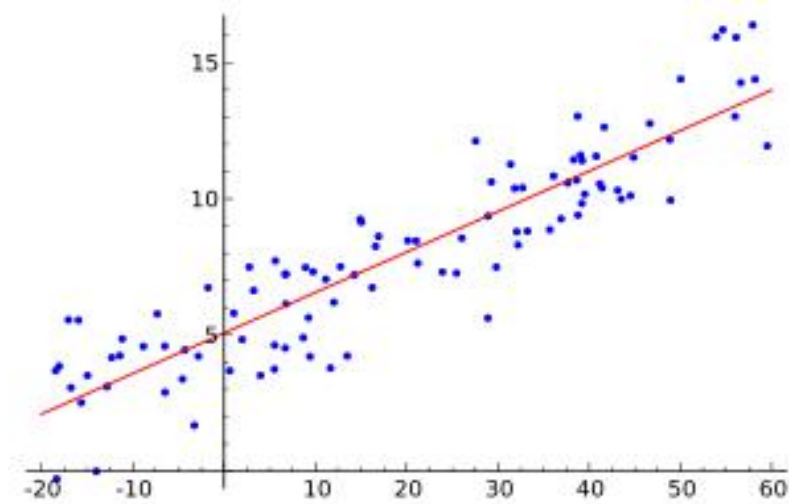


Figure 3: An example of a simple linear regression curve with one independent variable. culled from http://en.wikipedia.org/wiki/File:Linear_regression.svg

$$y_i = \beta_0 + \beta_1 x_i$$

The general equation of a Linear Regression curve.

The regression curve is also effective tool in making forecast or prediction. A linear regression model observed from a series of collected data can be used to examine the value of dependent variable y_i from the additional value of x_i .

2.6.2 Multiple Linear Regression (MLR) Curve

Multiple Linear Regression curve is a form linear regression line where the independent variable are more than one. The situation in Simple Linear Regression (SLR) is the direct opposite of Multiple Linear Regression (MLR). In a situation where the explanatory variables (x_i) are more than one, that's we have x_{i_1} , x_{i_2} and so on; we referred to such as *Multiple Linear Regression*. Just like in SLR, every value assigned to the independent (explanatory) variable x_i is associated with a corresponding value of the dependent variable y_i (Adeola, J.F. 2003).

The basic model for Multiple Linear Regression (MLR) curve given 'n' number of observation is stated as follows:

$$y_i = \beta_0 + \beta_1 x_{i1} + \beta_2 x_{i2} + \dots + \beta_p x_{ip} + \epsilon_i \text{ for } i = 1, 2, \dots, n.$$

This is culled from <http://www.stat.yale.edu/Courses/1997-98/101/linmult.htm>

2.7 Relevant Terms

This section was presented in order to explain other relevant terms that are not clearly defined during the course of the literature review of this research work.

2.7.1 Gross Domestic Product

This is referred to as the market value of goods and services produced within a country in a given year. The real GDP is adopted in this study. It can also be viewed as the total sum of all the market values of the goods and services produced in a country irrespective of the nationality of the producer excluding income earnings of the country's nationalities from abroad (Bakare H.I. 2009). It is calculated or measured as thus:

$$\text{Real GDP} = \frac{\text{Nominal GDP}}{\text{Price Level}}$$

2.7.2 Circular Flows of Income

This is an economic model that explains the give and take in circular form of economic benefits between producers and consumers in an economic. It gives an in-depth explanation how economic benefits changes hands in an economy (Bakare H.I. 2009). While the households which are often refer to as the consumers needed to earn income in the form of wages in order to buy goods being produced by the firm for consumption; the firms on the other hand which are the producers also needs the labor service; which can be provided by the household; in the course of the firm's production process.

2.7.3 National Income

This is the term that defines the total economic value of the final product of all goods and services produced in an economy within a fiscal year. Economics ensures that in the course of ascertaining national income, the problem of double counting is clearly avoided in order to give a believable value of the final product (Brighton, D. and Smithin, J. 2009).

2.7.4 Disposable income

This is otherwise termed as 'Take Home'. It is the total income available to households for spending or savings after the deduction of tax (Bakare H.I. 2009). It is calculated as gross earnings less taxation.

$$Y_d = Y - T$$

Where:

Y_d	=	Disposable Income
Y	=	Gross Income
T	=	Tax

2.7.5 Taxation

From the economics point of view, taxation simply refers to as the instrument at the disposal of the government used to gain revenue required to finance its yearly budgetary expenditures while also controlling the amount of money in the economy. When an economy intends to mop up the excess liquidity in the economy in order to curb inflation; there is an incident of increase in taxation which definitely reduces the amount of disposable income of the households and also the profits accrued to business owners which therefore reduces the purchasing power of the masses and vice versa (Ikuforiji B.I. 2007).

3 Research Methodology

This is the chapter where the methodology of this research work is clearly explained. The methods of data collection used in this work, the research questions which the research work is expected to answer and so much more.

3.1 Introduction

Research involves a systematic way of obtaining information and method of enquiry whose purpose is to obtain unbiased and useful information which are relevant to the object of interest under study (Ghuri N.P. and Gronhaug K. 2005). It therefore suggests that the success or failure of any form of research work largely depends on the quality of the information obtained upon which conclusions are inferred and recommendations being made.

In the light of the above, this chapter addresses issues relating to research questions and hypothesis, methods of data collection and methods used in the study. Since the research is largely empirical in nature, efforts will be geared towards presenting a comprehensive picture of the nature of the relationship and pattern of income and expenditure of the residence of Finland while also making a comparison with a country like Nigeria with a higher population trend and different taste and preference.

3.2 Research Question

This is simply refers to ask the series of problems the thesis work is expected to solve. It gives detailed questions that are expected to be answered by the study. The research questions for this thesis work are:

- What is the spending pattern of the residence of Finland?
- What are the things that Finland's residences spend their income on?
- Is there any relationship between the income and expenditures of the residence of Finland?
- Which sector of the economy engulfs highest percentage of the income?

- With a slight increment in income; which sector of the economy will the residence of Finland may likely spend it on?

3.3 Estimation Technique

For the purpose of estimating the mathematical linear relationship existing between the spending pattern of the residence of Finland and their various levels of income, the method of classical Ordinary Least Squares (OLS) regression will be employed. This will enable us to understand the impact of the relationship between income and expenditures of the residence and what happened to each of the parameters if one of them is being held constant.

The choice of Ordinary Least Square as the estimation model is borne out its considerable advantages which attest to the fact that most relationships are approximately linear and also linear equations frequently provides good approximations to more complex relationship that are difficult to handle mathematically. Some of the properties of OLS are:

- (i) Best Estimator
- (ii) Linearity
- (iii) Unbiasedness
- (iv) Efficient Estimator

3.4 Methods of data collection

The major classifications of sources for collected data are primary and secondary. These two (2) major sources are briefly explained as follows:

3.4.1 Primary Methods

This method includes data collected directly from the origin by the researcher or witness. The information is obtained through interviews, by means of questionnaire, telephone conversation with respondents, population survey and so on. The choice of primary source of data collection is based on the fact that most time the information needed for a study may not be readily available in a documented form (Folarin B. 2008). One of the major advantages of Primary data is based on the fact that the collected information are reliable as the source is known while it is time consuming and expensive to undertake.

3.4.2 Secondary Methods

The secondary method of data collection involves the use of ready-made material that are already in existence. A primary data that has been prepared by a researcher becomes a sec-

ondary data to another researcher who intends to use the same data for another research work (Folarin B. 2008).

Data obtained from financial records of a company, Population statistics of a country and the number of students admitted into Laurea UAS on yearly basis obtained from Admission office is good examples of Secondary methods of data collection.

3.5 Research Design and Data collection methods used for this thesis

For the purpose of this research, the research work is designed in order to ensure that certain and salient information are carefully considered in the course of this research work. Survey design ensures that the researcher observed the sampled subject without manipulating them. The survey design is employed for this work in order to have a true reflection of the subject matter under consideration.

4 Data presentation, analysis and result of the empirical study

This section explained how the data collected from the questionnaire are analyzed. The results of the empirical study are also presented from which observations are noted and conclusions inferred.

4.1 Introduction

In order to ensure a full grasp of the subject matter, it is pertinent to make a critical appraisal and analysis of the information obtained from the questionnaires that was being distributed. Hence, the need for this chapter; as it presents the analysis of the data collected for this research work and also the result obtained thereof. This chapter gives an in-depth overview of how the data were analyzed from the research questionnaire which is expected to form the basis upon which conclusions are inferred. The questionnaires are critically analyzed in order to obtain relevant information for business decision making and interpretation of fact.

4.2 Data Presentation and Analysis

The following data were extracted from the questionnaire being distributed to respondents of about 600 people in Finland; within the capital area of Helsinki, Espoo, Kaunianien and Vantaa; out of which 117 were not returned which suggested about 80.5% response rate. The response rate of the Finns to the questionnaire was generally poor probably due to the fact that it was designed in English and the difficulty experienced in getting someone to interpret it to

Finnish is immense. In the light of this challenge; the researchers took out time to meet people, most especially foreigners who are Finland's residence; in major areas such as Helsinki train stations (Rautatientori), Kamppi Shopping Complex, Iso Omena Shopping Complex, Itäkeskus and also neighboring schools like Arcada UAS, Metropolia, Laurea Leppavaara and also Haaga-Helia UAS. In order to ensure that a reasonable amount of responses are obtained some of these questionnaires were also given to friends at home and colleagues at work.

A total of 700 questionnaires were sent out to respondents in Nigeria with 597 response rate which implies about 85.3% success rate. The response rate was good in Nigeria due to the fact that people generally understand what the purpose of the questionnaire is and also it won't declare their identities like name and residence or other personal details.

The collected data were evaluated and presented as follows:

4.2.1 Response rate

Questionnaire		Response rate (%)
Returned	483	80.5
Not returned	117	19.5
Total	600	100

Table 3: Response rate data table in Finland

Questionnaire		Response rate (%)
Returned	597	85.3
Not returned	103	14.7
Total	700	100

Table 4: Response rate data table in Nigeria

Questionnaire (Based on Sex)		Response rate (%)
Male	234	48.4
Female	249	51.6
Total	483	100

Table 5: Response rate data table in Finland (Based on Sex)

Questionnaire (Based on Sex)		Response rate (%)
Male	351	58.8
Female	246	41.2

Total	597	100
-------	-----	-----

Table 6: Response rate data table in Nigeria (Based on Sex)

Based on sex; the rate of response of females in Finland is better than that of the male counterpart, although there is marginal difference between the rates which suggest that there is equal distribution in terms of response from both sexes. There is also a better response rate from the males in Nigeria when compared with the females. The difference between the responses rates briefly suggest that the opinions of male are more represented than the females.

Questionnaire (Based on Age)		Response rate (%)
Age Groups		
18 - 30	297	61.5
31 - 40	130	26.9
41 - 55	51	10.6
Above 56	5	1.0
Total	483	100

Table 7: Response rate data table in Finland (Based on Age)

Questionnaire (Based on Age)		Response rate (%)
Age Groups		
18 - 30	165	27.6
31 - 40	204	34.2
41 - 55	121	20.3
Above 56	107	17.9
Total	597	100

Table 8: Response rate data table in Nigeria (Based on Age)

Based on Age, response distribution rate favors the age group of 18-30 with response rate of 61.5% in Finland as compared to other group. The age groups that are above 56 are not adequately represented with just 1% response rate. In Nigeria, the response rate is a bit spread between the age groups as compared to Finland, although the rate also favored the age group 31-40 with 34.2% as compared to other age group.

Questionnaire (Based on Educational		Response rate (%)
--------------------------------------	--	-------------------

Background)		
Elementary School	37	7.6
Middle School	69	14.3
High School	180	37.3
University	197	40.8
Total	483	100

Table 9: Response rate data table in Finland (Based on Educational Background)

Questionnaire (Based on Educational Background)		Response rate (%)
Elementary School	84	14.1
Middle School	94	15.7
High School	135	22.6
University	284	47.6
Total	597	100

Table 10: Response rate data table in Nigeria (Based on Educational Background)

Based on the educational qualification obtained by the respondents, the distribution figure favors both high school and University with 37.3% and 40.8% respectively in Finland. Nigeria data on the other hand spread a little bit better than those of Finland. There is an improved response rate of 47.6% from those with university certificates while that with certificate that is just an elementary school has a response rate of 14.1%. This further suggests that the people with better educational qualification appreciate or develop interest in the questionnaire than that other class.

Questionnaire (Based on Income Level)		Response rate (%)
0-500	274	56.73
501-1000	158	32.71
1001-5000	51	10.56
5001 above	0	0
Total	483	100

Table 11: Response rate data table in Finland (Based on income level)

With respect to the collected information, a total of 270 respondents earn between the income ranges of 0-500euro that's about 56.73% of the total response rate. This invariably justifies that the wide range of people that responses to the questionnaire

are majorly low income earners which are probably students or people of government benefits. A total of 158 respondents earns within the range of 501-1000euro which is about 32.71% of the total responses received. This category can still be regarded as low income earner and could possibly be on government support. The category of 1001-5000 has total respondents of 51people which is 10.56% of the total respondents. This is explained the fact that only very few respondents earns a reasonable amount. This is further justified to the fact that the range from 5000-above has no respondents at all with 0% of the total respondents. This explain the reason that residence of Finland are not ready to give a full details of their income earnings most especially to foreigners or maybe it can be deduced that most of the respondents don't earn that much in Finland.

Questionnaire (Based on Income Level)		Response rate (%)
0-500	149	24.96
501-1000	131	21.94
1001-5000	315	52.76
5001 above	2	0.34
Total	597	100

Table 12: Response rate data table in Nigeria (Based on income level)

The response rate suggests there is 149 respondents which is about 24.96% of the respondents earns between 0-500euro while 131 people with 21.94% earns between 501-1000euro. The categories of people within this range generally explains the level of income of people in Nigeria. A total of 315 of the respondents earns between 1001-5000euro which is about 52.76 which explain the fact that most of the respondents which this categories are professional workers, civil servants and government officials.

Questionnaire (Based on least expense line)		Response rate (%)
Food	39	8.1
Clothing	107	22.2
Transport	59	12.2
Travelling	85	17.6
Clubbing	193	39.9
Total	483	100

Table 13: Response rate data table in Finland (Based on least expense line)

Out of the total respondents of 483 people, a total of 39 people ranked food as the least line of expenses where they spend their income on and while 107 of them favors clothing which represent 8.1% and 22.2% of the total number respectively. 59 people ranked transport as the least line of expenses and 85 ranked travelling as the least on their agenda which also represent 12.2% and 17.6% respectively. Clubbing was ranked as the least on 193 respondents list with 39.9% of the total respondents.

Questionnaire (Based on least expense line)		Response rate (%)
Food	129	21.6
Clothing	154	25.8
Transport	215	36.0
Travelling	69	11.6
Clubbing	12	5.0
Total	597	100

Table 14: Response rate data table in Nigeria (Based on least expense line).

Out of a total of 597 people interviewed in Nigeria, 129 people ranked food as the least on its expense list while 154 ranked clothing as the least with 21.6% and 25.8% respectively. On the other hand, 215 people also choose transport as the least while 69 choose travelling and clubbing 12. With 215 people spending least of their income on transport implies that majority of those that responded to the questionnaire in Nigeria; do not spend more of their income on transport.

Question 6 and 7 on the questionnaire are questions which serve solely as a basis for confirmation of some of the previously answered questions.

The table below shows where the Finnish residence will spend their extra income if there is a slight increment on their income, as it's shown in number eight (8) of the questionnaire.

Questionnaire (slight increment)		Response rate (%)
Food	19	3.9
Clothing	139	28.7
Transport	15	3.1
Travelling	256	53.0

Others	54	11.3
Total	483	100

Table 15: Response rate data table in Finland (Based on slight increment)

139 people out of the respondents in Finland are willing to spend their increment in income on clothing while 256 people choose travelling as the prefer line that will gulp the income increment which represent about 28.7% and 53.0% respectively. This simply implies that travelling business and fashion stores will have a market in Finland all things being equal. Another reason could be that; since majority of the people interviewed are foreigners, there are possibility of the need to pay a visit to their home country at least ones a year and also the need to also go on vacation most especially during summer.

The table below shows where the Nigerian residence may likely spend their extra income with a slight increment of their income as it shows in number eight (8) of the questionnaire.

Questionnaire (slight increament)		Response rate (%)
Food	151	3.9
Clothing	112	28.7
Transport	49	3.1
Travelling	181	53.0
Others	104	11.3
Total	597	100

Table 16: Response rate data table in Nigeria (Based on slight increment)

Out of 597 people that responded to the questionnaire in Nigeria; the highest number of 181 people are willing to spend their increment in income on travelling, which implies that travelling business will also have a large market in Nigeria whenever there is increment in income, just like in Finland. The reason for the choice of travelling could be due to the taste of the people to have a feel of what is obtainable in other part of world.

The table below shows where the Finnish residence spend major part of their income as it shows in number nine(9) of the questionnaire.

Questionnaire (Major line of expenses)		Response rate (%)
--	--	-------------------

Food	63	13.0
Clothing	22	4.6
Transport	84	17.4
Housing	201	41.6
Travelling	54	11.2
Others	59	12.2
Total	483	100

Table 17: Response rate data table in Finland (Based on Major line of expenses)

Out of 483 people that responded to the questionnaire in Finland, it shows clearly that the majorities of the Finnish residence with the figure of 201 people spend most of their income on housing and followed by transport. This implies that, housing business in Finland will be more profitable to any other line of business and likewise the transportation business coupled with the fact there are influx of people from other parts of Europe and beyond into Finland.

The fact that both line of businesses are partially the sole responsibility of the government makes the entrance into the market by private firm more competitive.

The table below shows where the Nigerian Residence spends Major line of their income as it shows in number nine (9) of the questionnaire.

Questionnaire (Major line of expenses)		Response rate (%)
Food	123	20.6
Clothing	43	7.2
Transport	151	25.3
Housing	237	39.7
Travelling	20	3.4
Others	23	3.8
Total	597	100

Table 18: Response rate data table in Nigeria (Based on Major line of expenses)

Out of 597 people that responded to the questionnaire in Nigeria, it shows clearly that the majorities of the Nigeria residence with the figure of 237 people spend most of their income on housing and followed by transport with the figure of 151 people. This implies that, housing business in Nigeria will be more profitable than any other

line of business. The fact that each individual has the opportunity to set up its own real estate business makes the possibility of entering the market a bit easier.

4.3 Result of the empirical study

Based on the available data obtained from the questionnaires being distributed, the following findings were obtained which serve as the outcome or result of the empirical study.

1. The research reveals that Nigerians actually spend money based on their earnings capability in order to improve their quality of life; as the option of personal debt financing or borrowing is not easy to assess. About 85% of the earnings of the residence of Nigeria were actually consumed which implies that with a population of over 100million; Nigeria is an economy where consumers goods will thrive. This statistics also rank at par with Finland where there is about 90% level of consumption, although with a lower population figure of about 5million people.
2. The spending pattern of the Finnish economy suggests that consumers will be ready to spend more in the future if the certain percentage increase in income. The major line of expenditure expected to gulp more of the percentage increase in income Food, transportation and travelling. The prices of rent may also go up, most especially in the private market as there is a slight increase in the population figure of residence of Finland as compared to the previous years.
3. In the light of the aforementioned and with respect to the available population figures, the population figure of Finland is expected to increase by 5% by 2024. This implies that there will increase in demand for basic amenities such as housing, food and transportation. This on the other hands; suggest that Finland is a viable economy for investors in this line of business.
4. The research also reveals that there is a strong relationship between the pattern of spending and consumption. This therefore suggests that as more income is earned; more money is consumed. This assertion is true in both countries and therefore justifies the economic theory of Marginal Propensity to Consume (MPC).
5. This research further buttresses the fact that expenditure largely depends on the level of income earnings. This does not implies that there are no other individuals that finance it consumptions via borrowings; either from friends and family or banks.
6. The savings culture of both economies differs considerably, with respect to the available data; there is fewer saving culture among the set of people interviewed which suggest that there is predominantly less savings culture as savings are spent on leisure such as vacation, travelling and clubbing.

5 Conclusions and Discussion

This is the last sections of the chapters where conclusions; inferred from the information obtained from the distributed questionnaires; are discussed.

5.1 Theoretical linkages

The Linear regression analysis was used in estimating the relationship between the level of income and expenditures in both countries. This is to enable us to have an idea of what the spending functions looks like and how they are related. Estimating the linear relationship between the income and expenses will also help to know either that each of the expenses is inversely or positively related to income. The linear assumption of income and expenditure is borne out the reality that the amount of money to be expended is largely dependent on the amount of income received. Hence, income is termed as the dependent variable (Y) and the major line of expenses as the dependent variable (X). The major lines of expenses are broadly categorized into Transportation, Food, Rent and others in order to ensure the ease of estimating the relationship.

The linear regression estimate gives us an opportunity of estimating one of the variables holding other variables constants. What this implies is that; with the estimate it is possible to find what is the level of income required in order to meet certain level of expenditure and vice versa.

5.2 Observations

From the linear regression estimates obtained from the data in Finland in chapter four (4), it is observed that there is inverse relationship between the level of income of the residence of Finland and spending on Food. This simply implies that as the level of income increases what is spent on food is reducing in comparison with the level of income. Put in another way; as the percentage of income is on the increase; the percentage of income being spent on food is decreasing and at some point the percentage of increase income that is spent of food will be zero. What this simply suggests is the fact there are healthy competition in food market in Finland as prices of food are forced to the minimum due to stiff competition and also effective government regulations. On the other hand; there is a positive relationship with what is expended on other lines of expenses such as housing and rent , transport and others. This simply implies that there is almost exactly the same level of percentage increase in the level on income with the consumption level.

In the long run, residences of Finland will most definitely be spending more on housing, transportation and other expenditure line except on food. Finnish residence, will experience increase in rent as there are influx of people coming into Finland from other parts of the

world which if adequate plan are not put in place there may probably be acute shortage of housing which based on the law of demand and supply will definitely push the price up due to shortage of supply. This will also push up the amount of people that will be using the transportation system and as there are expansions in transportation system in order to accommodate the population increase, there will also be an increase in government expenditure which will be spread on the price being paid for bus tickets. The multiplier effect may not be so immense in the food market, as there are enough competitions in the food market as compared to transportation system that is presently being the sole responsibility of the government.

As for Nigeria, the linear regression estimates suggests there is an inverse relationship between the income level and what is expended on transportation in Nigeria. This implies that as the level of income increases what is expended on transportation is reducing. This further suggests that, based on the available data, there is huge competition in Nigeria transport market. This competition is borne out government policy that allows private ownership of means of public transportation. Considering the large population of the country, this is a market where an investor may consider for entrance with adequate marketing strategies.

With the same earning capabilities, the value of what money can buy in Nigeria is almost at par with what is obtainable in Finland. This implies that there is almost an equal spending power and capabilities in both countries.

Nigerian residence in the long run will also experience an improvement in what is spent on housing, food and other expenditure line except for transportation. There is acute shortage of food which is borne out of rural urban migration as people are no more interested in farming and agriculture as it used to be in the time past. Nigeria, which is used to be an agrarian economy now import food items such as rice and so on. If this trend is not properly monitored and controlled, Nigerian residence will in the long experience acute shortage of food which invariably push up the general price level of food stuffs as quantities available for supply will be far below the level of quantities demanded by the people.

5.3 Conclusions

With respect to be available data upon which the conclusions of this thesis work is based; it is obvious that the residence of both countries spend their income largely on basic amenities such as housing, feeding, and clothing with residence of Finland having the tendencies to even spend more on leisure such as travelling, clubbing and so on in the future as depicted with the data presented in Table 15 and 16 respectively. The data also bring to the fore the fact that there are different pattern of expenditures in both countries. The level of expendi-

ture is tailored along with the purchasing power and also the taste of the residence. Hence, expenditure depends largely on earnings capacity.

The linear regression assumption of the income analysis buttresses on the assumptions that expenditures and spending patterns depend largely on income. Although, certain level of consumption and expenditure are partly or wholly financed by borrowings; which is simply means an exceptions to the rule. Critical analysis further suggests that the said borrowings will definitely be financed by future earnings which mean that; there is either more income in the future or expenses are reduced to accommodate the paying back of the borrowed fund. It is worthy of note to state here that the level of income considered for this analysis is the take-home. That's income that is available for consumption and savings after taxation and other statutory deductions such as pensions, unemployment insurance and so on have been removed. It is also referred to as the net income.

Although the quality of life and standard of living differs considerably in both economy; bearing in mind that the cost of living also differs. Be that as it may, the population parameters of both countries suggest that consumer products and durable goods are likely goods that will thrive in Nigeria market.

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Appendices

Questionnaire for estimating the relationship between Finnish spending pattern and income.

The purpose of this questionnaire is to obtain relevant information from residences of Finland with the hope of establishing a relationship between the pattern of expenditure and income. We hope you will spare us a few minutes of your time to fill this questionnaire. Thanks for your co-operation.

.....

Part 1: Background Information (Please mark appropriately)

1. Gender

- Male
- Female

2. Age

- 18-30years
- 31-40years
- 41-55years
- Above 56years

3. Educational Background

- Elementary School
- Middle School
- High School
- University

Part 2: Information on the income and expenditure analysis of residence of Finland(Please mark appropriately)

4. On the average and in euros, how much money do you have to spend in a month?

- 0 - 500

- () 501 - 1000
- () 1001 - 5000
- () 5000 - Above

5. Which of the following line of expenses do you not spend more of your money on?

- (a) Food (b) Clothing (c) Transportation (d) Travelling (e) Clubbing

If others please specify.....

6. What percentage of your income do you spend on the aforementioned expenditure line?

.....

7. On the average, how much money do you have to save in a month?

.....

8. With a small increase in your income, which line of the expenses do you intend to spend the small increase in your income budget?

.....

9. Can you list your first 5 major line of expenses

.....

.....

.....

.....

.....