

## **Contributive Roles of Selected Cottage Industries towards Poverty Reduction in Odeda Local Government Area of Ogun State, Nigeria**

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The study assessed the contributive roles of selected cottage industries towards poverty reduction in Odeda Local Government Area of Ogun State, Nigeria. Simple random sampling technique was used to select seventy (70) respondents for the study. Descriptive statistics and Pearson Product Moment Correlation were used to analyze the data. Result showed that most (92.86%) of the respondents were less than 50 years old and had one form of formal education or the other. The mean household size was 7 people. Majority (60.00%) of the respondents had been in the cottage industries for more than 6 years. Almost half (42.86%) of the respondents got their capital from Cooperative societies while 28.57% got theirs from friends and relatives. The common cottage enterprises in the study area include, soap making, tie and die, knitting, weaving baskets, cassava processing, hair dressing and bread making. Estimated monthly profits of ₦7,100.00 to ₦27,050.00 were realized. Inadequate credit facilities and high cost of the inputs were the major problems confronting cottage industries in the study area. It is hereby recommended that financial institutions should make credits available and accessible to the cottage operators while government should provide social amenities to the rural areas to enhance efficient production.

*Key Words:* cottage industries, cooperative societies, profitable, poverty reduction

### **Introduction**

Cottage industries have continued to be a popular phrase in the business world. This is because the sector serves as a catalyst for employment generation, national growth, poverty reduction and economic development [1]. Cottage industries are small scale business in which work is done by the business operators in their homes. According to [2] cottage industries both in the formal and informal sectors employ over 60% of the labour force in Nigeria. Moreso, 70% to 80% of daily necessities in the country are not high-tech product, but basic materials produced with little or no automation. [4, 5 and 6], all supports that cottage industry helps in the achievement of improvement in rural infrastructure, improved living standard of the rural dwellers thereby creating employment utilization of indigenous technology, production of intermediate technology and increase in revenue base of the private individuals and government. It has uplifted the dignity of labour. There is the spirit of “*ME TOO*”, I can do it attitude. People deriving joy in working for themselves and seeing their businesses grow and mature to conglomerates and deriving joy

in being a source of employment to other Nigerians [6]. A lot of unemployed people and youths have found employment in cottage industries. A lot of small retail shops, restaurants, poultry farms, and telecommunication/telephone shops have been established and managed profitably by Nigerians who would have been unemployed till date. Their operations have brought about wealth creation and poverty alleviation [7]. However, the performances of the few available cottage industries in the rural areas are worrisome. The major reasons adduced to these dismal performances are poor access to credit, poor infrastructure, and high cost of inputs. It is in view of these challenges that this study was carried out to determine the contributions of cottage industries to poverty alleviation in the study area.

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The specific objectives of the study were to:

- i. describe socio-economic characteristic of the respondents in the study area
- ii. identify the type of cottage industries prevalent in the study area
- iii. determine the cost and returns of the cottage industries
- iv. ascertain the constraints militating against the operators of the cottage industries

### **Hypothesis ( $H_{01}$ )**

There is no significant relationship between socio-economic characteristics of the respondents and profit generated from cottage industries activities.

### **Methodology**

Odeda Local Government covers an estimated land area of about 1,492 km<sup>2</sup> which represents 1.65% of the total land area of Ogun State. The Local Government was created in 1976. It is composed of many of very few semi-urban centres and several small and scattered settlements with a population of 109,449 people [8]. The area spans Northward from Obantoko to Bakatari and Eleso near Ibadan, Ogunmakin in Obafemi-Owode Local Government. It shares boundaries with Abeokuta South, Abeokuta North and Obafemi-Owode Local Government Areas in Ogun State, then Oyo State with Ibarapa and Iddo Local Government Areas in the North and East respectively. Odeda Local Government has climate with bimodal rainfall pattern from April to July and September to October. Average temperature is about 32<sup>0</sup>C but the humidity can be as high as 95%. The people are predominantly *Egbas* and speak *Egba* dialect of the Yoruba Language, mainly agrarian engaging in small scale farming. The prominent enterprises in the area are trading, crafting, artisan work etc. The climate of the is favourable for the cultivation of a wide range of food and cash crops such as cassava, yam, oil palm, vegetable, cocoa and so on.

### **Sampling procedure and sample size**

Primary data were used for the study. Snow ball technique was used to select seven (7) cottage industries namely: knitting, soap making, hair dressing, tie and die, bread making, cassava processing, and baskets weaving. Simple random sampling technique was used to select 30% of cottage operators from each of the selected cottage industries to make up seventy (70) respondents for the study. An interview guide was used to obtain information on the respondent socio-economic characteristics and other variables. Frequencies, percentages and Pearson Product Moment Correlation (PPMC) were used to analyze the data. Costs and returns analysis was used to estimate the Gross Margin (GM).

### **Results and Discussion**

#### **Socio-economic characteristics**

Above ninety percent (92.86%) of the respondents were less than 50 years old with mean age of 37.21 years revealing presence of middle aged individuals who are known to be economically active and innovative. Majority (71.43%) of the respondents were female, married, and had one form of formal education or the other. This indicates dominance of female folk with high level of literacy in cottage industries in the study area. This is in line with the findings of [9], who reported that women entrepreneurs have become increasingly important as they make influential impact in global economies and businesses. The mean household size was 7 people. This shows that the household size of respondents were relatively large. This corroborates the findings of [10] which stated that the larger the household size, the more the likelihood of sustainable labour supply. The result also indicated that most (60.00%) of the respondents had been in the cottage industries for more than 6 years. The mean year of experience was 8.29 years. This further shows that cottage industries have been the source of livelihood as people in the study area are not new in the business.

Table 1: Socio-economic characteristics of the respondents (n=70)

Variables	Frequency	Percentage	Mean
<b>Age</b>			
Less than 30	15	21.43	37.21
31-40	33	47.14	
41-50	17	24.29	
Above 50	05	7.14	
<b>Sex</b>			
Male	20	28.57	
Female	50	71.43	
<b>Marital status</b>			
Single	15	21.43	
Married	35	50.00	
Divorced	12	17.14	
Widowed	08	11.43	
Table 1. Continue.			
<b>Years of experience</b>			
Less than 5	12	17.14	8.29
6-10	42	60.00	
Above 10	16	22.86	
<b>Educational level</b>			
No formal education	07	10.00	
Primary education	37	52.86	
Secondary education	15	21.43	
Tertiary education	11	15.71	
<b>Household size</b>			
1-5	21	30.00	7.00
6-10	40	57.14	
Above 10	09	12.86	

### Sources of Capital

The capitals used in the cottage industries by the respondents were obtained from Cooperative societies, Personal savings, Banks and borrowing from Friends and Family. This is supported by the findings of [11], who found that financial capital is an important determinant of entrepreneurship. Result

in Table 4 revealed that almost half (42.86%) of the respondents got their capital from Cooperative societies while 28.57% got theirs from friends and relatives. Loans from commercial banks accounted for only seven percent. The result showed that banks have not made significant impact as their credit facilities are not readily available to the cottage industries in the study area.

Table 2: Sources of capital utilized by the respondents (n=70)

Variable	Frequency	Percentage
Personal savings	15	21.43
Family and friends	20	28.57
Cooperative societies	30	42.86
Microfinance banks	05	7.14

### Types of cottage industries engaged in

Many of the respondents were into various cottage enterprises such as soap making, tie and die, knitting, weaving baskets, cassava processing, hair dressing and bread making. These enterprises require little

capital to start and therefore more suited to the rural people especially rural women. This finding is in consonance with [2; 6] that cottage industries sectors provide employment for many Nigerians especially rural women.

Table 3: Types of cottage industries engaged in by the respondents (n=70)

Variable	Frequency	Percentage
Soap making	09	12.86
Tie and die	12	17.14
Knitting	06	8.57
Weaving basket	05	7.14
Cassava processing	15	21.43
Hair dressing	13	18.57
Bread making	10	14.29

### Cost and Returns of cottage industries

Result in Table 4 showed that the respondents generated average incomes of ₦75,300.00, ₦80,700.00, ₦61,000.00, ₦15,300.00, ₦51,500.00, ₦35,000.00 and ₦125,900.00 with an estimated profit of ₦19,300.00, ₦22,700.00, ₦18,000.00,

₦7,100.00, ₦12,200.00, ₦11,300.00 and ₦27,050.00 per month from Soap making, Tie and die, Knitting, Weaving basket, Cassava processing, Hair dressing, and Bread making respectively. This showed that cottage industries as an enterprise are economically viable and profitable in the study area.

Table 4: Cost and returns of cottage industries

Enterprise (₦/month)	Items	Soap making ₦	Tie and die ₦	Knitting ₦	Weaving basket ₦	Cassava processing ₦	Hair dressing ₦	Bread making ₦
Total Revenue		75,300.00	80,700.00	61,000.00	15,300.00	51,500.00	35,000.00	125,900.00
Variable Cost								
Labour		11,000.00	14,000.00	21,000.00	-	6,500.00	-	23,400.00
Transportation cost		9,000.00	6,000.00	13,000.00	3,000.00	5,500.00	4,200.00	18,000.00
Raw materials		31,000.00	30,000.0	-	-	25,000.00	14,000.00	45,000.00
Miscellaneous		5,000.00	8,000.00	9,000.00	4,100.00	2,300.00	5,000.00	16,450.00
Total Variable Cost		53,000.00	47,000.00	43,000.00	8,200.00	19,300.00	23,200.00	77,850.00
Gross Margin		19,300.00	22,700.00	18,000.00	7,100.00	12,200.00	11,300.00	27,050.00

### Constraints to cottage industries

About 95% of the respondents indicated that inadequate credit facilities and high cost of the inputs were the most serious problems confronting cottage industries in the study area. This result corroborates the findings of [12; 13] that credit is an important

input for expansion of agriculture and agribusiness in Nigeria. This was followed by poor state of infrastructure (87.14%) and lack of access to market information (82.86%). Furthermore, cottage industries were seriously impeded by lack of government support (78.57%), competition (70.00%), and lack of modern equipment (61.42%).

Table 5: Constraints to cottage industries (n=70)

Variable	Frequency	Percentage
Inadequate credit facilities	67	95.71
Inadequate customers	12	17.14
Family responsibility	06	8.57
Lack of government support	55	78.57
Poor infrastructure	61	87.14
Lack of modern equipment	43	61.42
Lack of access to market information	58	82.86
Competition	49	70.00
High cost of inputs	65	92.86

### Relationship between socio-economic characteristics and profit

The result of analysis in Table 6 showed that there was a positive and significant relationship between socio-economic characteristics and profit realized from cottage industries since p-value for variables

such as age ( $r = 0.65$ ,  $p = 0.00$ ), sex ( $r = 0.45$ ,  $p = 0.00$ ), education ( $r = 0.48$ ,  $p = 0.00$ ) and household size ( $r = 0.13$ ,  $p = 0.00$ ) are significant at 0.01 level of significance, the null hypothesis is hereby rejected. Various studies have shown that the entrepreneur's personal characteristics are important elements [11; 14] to the success of entrepreneurship.

Table 6. Relationship between socio-economic characteristics and profit

Variables	r	p-values	Decision
Age	0.65	0.00	S
Sex	0.45	0.00	S
Education	0.48	0.00	S
Experience	0.13	0.29	NS
Household Size	0.78	0.00	S

### Conclusion and Recommendation

It can be concluded that educated and young women were more involved in cottage industries, sourced capital from their personal savings and cooperative societies. Productivity and profitability of cottage industries were impeded by myriads of problems. Socio-economic characteristics of the respondents had direct bearing on profit realized from cottage industries. Based on the findings it is hereby recommended that:

- i. Financial institutions should make credits available and accessible to the cottage operators.
- ii. Government should be social amenities to the rural areas to enhance efficient production.
- iii. Extension agents should always disseminate market information to the rural cottage operators.

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