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Effects Of Financial Inclusion On The Growth Of Cottage Firms In Nigeria

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ABSTRACT:- Most of the financial problems of cottage industries in developing nations are traced to financial exclusion of the financial arrangements of some smaller economic units, groups or sectors of the economy. This study therefore sought to examine the effects of financial inclusion on the growth of cottage industries in Nigeria: (1995-2017). The ex-post facto research design was employed. Annual time series covering 1995 to 2017 obtained from CBN Statistical Bulletin of 2017 and African Statistical Yearbook 2017. Statistical tools of Unit Root Test, Engle-Granger Co-integration Test and Error Correction Model Test were employed in analyzing the collected data. The P-values of ECM regression indicated that the ACGSF and SMEL, are having positive contribution and statistically not significant in explaining the changes in the growth of cottage industries in Nigeria, SMED has negative contribution and not significant in explaining the changes in the dependent variable, while MFLA has a positive contribution and significant effect in explaining the changes in the growth of cottage industries in Nigeria. Thus, the result of prob.(F-statistics) 0.08975 shows that the financial inclusion has no significant effect on the growth of cottage industries in Nigeria within the period of the study. The researcher amongst others recommends promotion and encouragement of financial sector deepening, establishments of youths development fund, cottage industries development fund, restructuring and monitoring of Agricultural credit guarantee scheme fund by the government and policy makers.

Keywords: Financial inclusion, financial exclusion, financial deepening, Agricultural credit guarantee scheme fund, microfinance institution, liquidity ratio, loan to deposit ratio.

I. BACKGROUND TO THE STUDY.

The government of developing nations in targeting the improvement of their cottage firms are expected to embrace policies like financial inclusion, financial liberalization, financial deepening, effective and efficient financial intermediation processes e.t.c that will enhance the activities of cottage entrepreneurs and facilitate the growth of the economy at large. Yunus, Muhammed and karlwebar (2007), in their study, observed that micro loan, a saving account and assurance policy makes a very great difference to poor, low income earners and micro entrepreneurs. They further explained that these financial services enable the poor, to have better nutrition, housing, education for children and better health-care and improve standard of living. Though, there are evidence of rendering of these financial services in Nigeria and yet there is still high rate of poverty and this may be because the Nigerian financial system is very under-developed comparing it with that of the advanced nations. Banking services are only available to about 40% of the Nigeria population and others do not have access to formal finance and are forced to rely on a narrow range of some risky and expensive informal service which constrains their ability to participate fully in financial markets to increase their income and contributes to economic growth (Soludo,2007).

Actually, in developing nations and in Nigeria in particular, there exist more of collage and micro industries that are owned and managed by low income and less advantaged people and this becomes the major determinant of the type of finance/credit needed by the owners to run-such businesses. According to Shabna

(2014), more than 70% of developing nation's population live in the rural areas. He further explained that financial inclusion is a necessity for a country where a large chunk of the world's poor resides.

Cottage businesses are those firms that are owned and managed by members of a family in their homes like farming, husbandry, palm wine tapping/distilling, hunting, blacksmithing, goldsmith, basket making/crafting, animal husbandry, native medicine, beadwork, wood work etc and they are characterized by:- traditional and local settings, the scope covers only the nuclear and extended family members and friends with little or no employment and most of the business skills are inheritance and natural talents, most of the cottage entrepreneurs are illiterates and unexposed, the business is not mechanized, the level of business and their owners are always ignored by the government policy makers in formulating their policies. Cottage firms can be seen as household business, handicrafts, artistic work in wood and metal, amateur artworks, rural artistry, rural farmers, and other traditionally and locally inclined businesses. Not minding the challenges, cottage industries provides economic and growth opportunities to the poor or the middle income earners of the developing nation through employment and empowerment of the low income class, and technologically underdevelopment nation like Nigeria.

In Nigeria, the financial policies have been capturing the financial inclusion in the recent time, it has been financial integral part of Nigeria financial industry reform for over 30years. Form the rural banking program in 1977 to the establishment of micro financial banks in the 2005. The government had put in place a lot of other programs for enhancement of financial inclusion.

1.1 Objectives of the Study

The general objective of the study is to establish the effect of financial inclusion on the growth of cottage firms in Nigeria from 1995 to 2017. In view of the general objective, this study attempts to achieve the following specific objectives:-

1. To determine the extent to which Agricultural Credit Guarantee Scheme Fund affects the growth of cottage firms in Nigeria.
2. To ascertain the extent to which microfinance loan and advances affects the growth of cottage firms in Nigeria.
3. To find out the effects of deposit money bank loans given to small and medium enterprises (SME) to total loan on the growth of cottage firms in Nigeria.
4. To find out the effects of the small and medium enterprises (SME) deposit with deposit money bank on the growth of the cottage firms in Nigeria.

II. REVIEWS OF RELATED LITERATURE

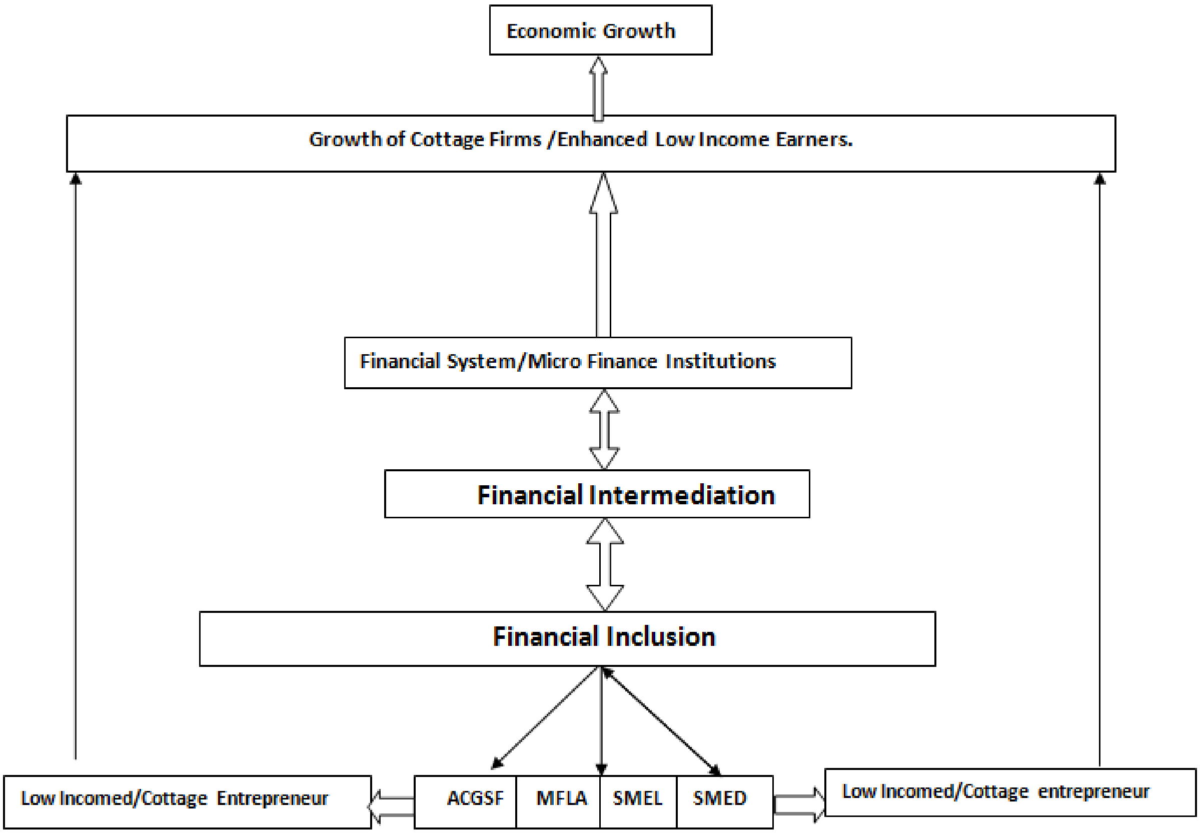
2.1 Conceptual Framework

2.1.0 **Financial Inclusion**

Financial inclusion is mostly needed in developing nations for enhancement of the poor income earners, rural dwellers, household businesses, handcrafts, cottage entrepreneurs, this is because we have more of these classes of people and businesses in the developing nations.

Onaolayo (2015), in his research, defined financial inclusion as a process that ensures the ease of access, availability and usage of formal financial system by all members of all economy. The financial inclusion is also seen and defined as a state in which all the people of a particular nation have complete access to appropriate desired financial products and services in order to manage their money effectively (Leyshon Thrift,1995). Centre for Financial Inclusion (2013) sees financial inclusion as a state in which all people who use financial service have access to a complement of quality financial services, provided at affordable prices in a convenient manner and with dignity for the clients.

Figure 1: Financial Inclusion Concept Diagram



Source: Author's concept

This process of linking up the activities and parties involved in financial system is what is known as financial intermediation and bringing the services down to the poor/low income earners and cottage entrepreneurs is then known as financial inclusion.

2.1.1 Cottage firms in Nigeria

Cottage industry is more common in the developing countries and this is attributed to the nature and characteristics of the business. Cottage industries is a household business operates in the workers home and run by few people mostly family members, they are not just small-scale firms rather, they are unique, in the sense that their productions mostly take place in their homes and their labor is supplied by the members of the family and they not mechanized. According to Abdulhamid (2005) cottage industries are small scale business in which work is done by the business operators in their homes. According to Nnanna (2001), cottage firms both in the formal and informal sectors employ over 60% of the labor force in Nigeria. More so 70% to 80% of daily necessities in the country are not high-tech product, but basic materials produced with little or no automation. Some of the features that distinguish cottage/ handicraft enterprises in developing nations from other small scale business are that cottage firms are always run in the owners' homes, it has a traditional setting, the scope of the business is local and only covers the member of immediate and extended family, friends with little or no employment, most of the business skill are inheritance and natural talents, most people that handle the business are illiterates and unexposed, the business is not mechanized and that level of business and their owners are mostly ignored by government and policy makers in making their economic policies in developing countries. Some of the existing cottage businesses in Nigeria are farming, husbandry, palm wine tapping/distilling, hunting, blacksmithing, goldsmith, basket making/crafting, animal husbandry, native medicine, beadwork, wood work etc. This class of business and their entrepreneurs hardly make use of conventional banks rather they resort to fund raising through non-institutional forms like borrowing from friends, family members, local meetings, isusu, agba-ekporo etc. and Soludo (2007), opined that banking services are available to only about 40 percent of the population in the developing nations, while other do not have access to formal finance and are forced to rely on a narrow range of some risky and expensive informal financial services which constraints their ability to participate fully in financial markets to increase their income and contribution to economic growth.

2.2.0 Theoretical Framework.

2.2.1 Financial Inclusion Theory

The relationship between the financial inclusion and economic growth has been supported by many researchers like; Clerk (2013) further in his work opined that financial inclusion helps people to diversify or increase income stream in the house, provides liquidity/cash flow, absorbs shocks of adversity by building assets which enables client to cope with loss through consumption smoothing, thus avoiding the sale of productive assets. According to Krishna (2016), Financial inclusion is about leveraging existing financial players (e.g. banks, microfinance institutions, insurance firms, Government pension programs) and connecting them to each other and to non-financial players (e.g. mobile network operators, retail outlets with large operating foot prints) to scale up outreach bigger and faster than specialized providers could do by themselves. And Oruo (2013) ascertained that financial inclusion has a strong positive relationship with economic growth.

Hence this study is anchored on the financial intermediation and inclusion hypotheses theories to postulate that growth of cottage firms depends on the extent the financial products and services are extended to the poor, low income earners and households' entrepreneurs. Thus this led to the equation: cottage firms growth = f(financial inclusion).

2.3 Empirical Studies

The researcher empirically studied some of the researches on financial inclusion and cottage firms' emphasizing on their variables, methodologies, findings and conclusions, which are considered in concluding this study.

Nwankwo and Nwankwo (2014) studies "sustainability of financial inclusion to rural dwellers in Nigeria: problems and way forward" they focused on the services of deposit money bank, microfinance banks and communication services providers in enhancing intermediation of financial services to the rural dwellers, using survey method, Pearson Product Moment Correlation techniques was used to establish the relationship between the first round and second round responses of the instrument administered. The following findings were made; the poor and low incomed in the rural areas are aware of banking services but also afraid of frauds attached to it. The financial institutions in the rural areas are not enough to enlarge financial inclusion.

Microfinance and the challenge of financial inclusion for SME's development in Nigeria was researched by (Ajinaja, & Odeyale,. 2017). In establishing the result, the authors specified two models as follows: - financial inclusion and low income savers as ($SDA = \beta o + \beta_1 BBranch + \beta_2 LRA + \mu$) and microfinance and small scale enterprises as ($LSMEs=\beta_o+\beta_1 LRA+\beta_2 LDR+ \gamma$). OLS was used to analyze the data and the results indicated that in model one, the number of bank branches (Branch) and Bank loan to the rural area (BLRA) have a positive impact on the dependent variables (SDA). And analysis of model two indicated that loan to rural areas (LRA) indicates negative impact while loan to deposit ratio shows a positive impact and significant on the small scale enterprises (LSME).

Oscar, Malebogo, Christopher and Jonah (2016) empirically reviewed integration, inclusion, Development in the financial sector and economic growth Nexus in SADC" the study showed evidence that suggested mixed effect of financial integration and inclusion on economic growth, others also stated negative impact on economic growth, some studies indicated sound financial development to be a pre-requisite for financial integration to have positive impact on economic growth. Some studies prove that the positive growth impact from the financial inclusion does not hold in economies characterized by low financial development. The study shows that causality between the dependent and independent variables is uncertain.

In studying the relationship between financial inclusion and economic growth in Nigerian rural dwellers, Nwanne (2015) used description research and content analysis of mobile phones banking automated teller machine, point of sale (POS) devices and Agent Banking. The study analysis reveals that the sustainability of financial inclusion to rural dwellers in Nigeria remains the mainstream for economic growth.

Abiola, Folasade and Onankhanlen (2015) in their research on financial inclusion and economic growth in Nigeria, used secondary data and OLS regression model in the analysis. The study indicates that financial inclusion is a significant determinant of the total factor of production as well as capital per worker, which invariably determines the final level of output in the economy.

According to Onakpo (2015) in his research work titled "effects of financial inclusion on the economic growth of Nigeria (1982-2012)'' the study found that financial inclusion activities greatly influenced poverty reduction but marginally determined national economic growth and financial intermediation through enhanced banks branch networks, loans to rural areas and loans to small enterprises. The researcher used secondary data which was analyzed using ordinary least square method.

III. RESEARCH METHODOLOGY

3.1 Research Design

This study employed ex-post facto research design. According to kerlinger (1973) ex-post facto design is a systematic empirical inquiry in which the investigator does not have direct control over the value of the variables included in the study.

3.2 Nature and Sources of Data

The data used in this research is of time series and they are secondary data gathered from previous journals, internet, CBN statistical bulletin of 2016 and African statistical yearbook 2016.

3.3 Model Specification and Modification

Following a detailed review of previous studies and improving upon the theoretical postulate and econometric models of Okaro (2016) in studying financial inclusion and Nigeria economy as RGDP=F(DRBD,LRBD) where RGDP= Real Gross Domestic Product, DRBD=Deposit of Rural Branches of Deposit Money Bank and LRDB=Loan of Rural Branches of Deposit Money Bank. Onaolapo (2015) studied Effects of financial inclusion on the economic growth of Nigeria using this model, GDP=F(FD1,FD2,LDR,LQR) where GDP = Gross Domestic Product, FD_1 = Ratio of Broad Money to GDP (M2/GDP), FD2 = Ratio of Credit to Private Sector to GDP (CPS/GDP), LDR= Loan-to-Deposit Ratio and LQR = Liquidity Ratio. Ajinaja and Odeyale (2017) in their study of microfinance and the challenge of financial inclusion for SME development in Nigeria used the model, SDA = F(BBranch,BLRD) in capturing "Financial inclusion and low income savers" where SDA = Low Income Savers, BBranch = Numbers of Microfinance Bank Branches and BLRA= Bank Loan to Rural Areas.

In order to achieve a robust result in the context of this study, the researcher rather than adopting, modified the models of the previous researches and therefore state the model of effect of financial inclusion on the growth of cottage industries in Nigeria as follows,

The functional form of the model is

GRFHF= f(ACGSF, MFLA, SMEL, SMED)

The mathematical form of the model is

$GRFHF= \beta_0 + \beta_1 ACGSF+ \beta_2 MFLA+ \beta_3 SMEL+ \beta_4 SMED+ \mu$

The econometric log liner form of the model is

$GRFHF=\beta_0+\beta_1 L_n ACGSF+\beta_2 LnMFLA+\beta_3 SMEL+\beta_4 SMED+\mu$

Where β_0 = Constant term (intercept), $\beta_{n=1\text{-}4}$ = Coefficient of Explanatory Variables

μ= Disturbance, Stochastic or Error term, L_n = the natural log

3.4 Appriori Expectation

The following are the apriori expectation of the coefficient of the econometric model $\beta_1>0$, $\beta_2>0$, $\beta_3>0$, $\beta_4>0$. This explains the theoretical linkage on the sign and magnitude of parameter of the specified functions.

> sign indicates an improvement of growth of cottage industries as the explanatory variables increases by a unit. While,

< sign means declines of growth of cottage industries with a unit increase in the explanatory variables

3.5 Method of Data Analysis

The study used E-view 9.5 statistical package to aid in analysis of the data. Unit Root Test is employed to determine the stationarity of the series. The test was conducted under two specifications of the Augmented Dickey Fuller (ADF) Test, (1) intercept (11) trend and intercept. If the time series are stationary in their level then they are said to be integrated of order zero ie 1(0), if the time series are stationary in their first differences, then they are said to be integrated of order one, i.e 1(1), if stationary in their second different, then they are integrated by order two i.e 1(2) (Nwakobi & Alajekwu, 2016). Subsequently, other tests like Co-integration and Error Correction Model Test were conducted.

4.1 Analysis of data

In this section, unit Root test is conducted to guarantee a non-spurious result, the second test conducted is co-integration test to capture equilibrium long-run relationship between the dependent variable and explanatory variables and at last, error correction model is employed to reconcile the short behavior of variable with its long-run behavior.

According to Gujarati (2003) using time series data that are not stationary in the model might lead to spurious regression result which cannot be used for precise prediction. In order to avoid spurious result, the research therefore employed unit root.

4.2 Unit Root Test Interpretation Table

The table below presents the properties of the time series data under review and the stationarity of the series is first tested using Augmented Dickey Fuller Unit Root Test and results are stated in the below table

S/n	Variables	Levels	1st Difference	Result
1	GRFHF	-4.247953		1(0)
2	LnACGSF		-4.490830	1(1)
3	MFLA	-3.648131		1(0)
4	SMEL	-3.335375		1(0)
5	SMED		-3.079519	1(1)
	Critical value at 5%	-3.029970	-3.020686	

Source: author's computation

The result from the above table indicates that GRFHF, MFLA and SMEL are stationary at level while ACGSF and SMED are stationary in their differences. Since most of the variables are stationary at their first differences, it becomes imperative to also examine if the variables could be Co-integrated at long run (have long run relationship). Engle Granger Co-integration test is conducted to establish if there is long run relationship between the variables.

4.3 Engle Granger Co-integration Test

Test Result (co-integration) @5% c.l	Results
ADF T-statistics	-4.514334
ADF P-Value	-0.0091
Test of Critical Value @ 5%	-3.644963

Source: E-view Econometric 9.5

Using Engle and Granger (1987) method of testing Co-integration, the Augmented Dickey Fuller (ADF) value -4.514334 > -3.644963 critical value at 0.05 level of significance in absolute terms, therefore, one can conclude that there is existence of a long run equilibrium relationship among the six (6) co-integration financial inclusion variables at 5% significant level and growth of cottage industries, and this indicates that financial inclusion has a long run effect on the growth of cottage industries in Nigeria.

Since we are certain that the variables are not stationary at level but rather stationary after differencing and that they are co-integrated or converged at long run. This indicates that there is an error at short run and we need to know the speed at which the error could be adjusted and this can be done using Error Correction Model (ECM).

4.4 Error Correction Model (ECM)

Dependent Variable: GRFHF
Method: Least Squares
Date: 11/12/19 Time: 16:17
Sample (adjusted): 1996 2017
Included observations: 21 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-64.55034	157.1623	-0.410724	0.6871
D(LNACGSF)	2.304173	6.359570	0.362316	0.7219
LNMFLA	0.774346	0.425960	2.817884	0.0479
SMEL	0.104793	0.366219	0.286149	0.0784
D(LNSMED)	-0.512398	1.460629	-0.350807	0.7303
ECM(-1)	-0.036045	0.252127	-0.142962	0.8881

R-squared	0.017820	Mean dependent var	7.033333
Adjusted R-squared	0.040225	S.D. dependent var	11.21242
S.E. of regression	12.48675	Akaike info criterion	8.091470
Sum squared resid	2494.704	Schwarz criterion	8.340166
Log likelihood	-79.96044	Hannan-Quinn criter.	8.145444
F-statistic	1.324243	Durbin-Watson stat	2.245524
Prob(F-Statistic)	0.089752		

Source: E-view Econometric 9.5

Re-structuring the econometric model equation to accommodate the Error Correction Model Coefficients of the independent variables, we have
GRFHF=-64.55034+2.304173LnACGSF+0.77436LnMFLA+0.104793SMEL-0.512398LnSMED.

4.5 Discussion of Findings

The result of the Error Correction Model therefore indicates that, agricultural credit guarantee scheme fund (ACGSF) has positive and non significant effect on the growth of cottage firms in Nigeria. The coefficient value of 2.304173 is in agreement with the appriori expectation while the probability value of 0.7219 indicates that ACGSF is not having significant effect on the growth of cottage firms in Nigeria, the alternative hypothesis is therefore rejected.

The coefficient value 0.774346 of Micro Finance Loan and Advances (MFLA) shows that MFLA has a positive contribution to the growth of cottage firms in Nigeria which is in conformity with appriori expectation and the p-value of 0.0479 which is lesser than 0.05 implies that MFLA is having significant effect on the growth of cottage firms in Nigeria, the null hypothesis therefore rejected.

The ratio of Deposit Money Bank Loan to SMEs to total credit has coefficient value of 0.104793 indicating that it has positive contribution to the growth of cottage firms in Nigeria and it is in agreement with appriori expectation. The probability value of 0.0784 shows that SMEL has no significant effect on the growth of cottage firms in Nigeria, therefore, the alternative hypothesis is rejected.

Small and Medium Enterprises Deposit with Deposit Money Bank with the coefficient value of -0.512398 indicates that it has adverse contribution to the cottage firms in Nigeria. The probability value of 0.7303 shows that SMED does not have any significant effect on the cottage firms in Nigeria, therefore, the alternative hypothesis is rejected.

The probability(F-statistics) value is 0.089752 indicating that financial inclusion is not having any significant effect on the growth of the cottage industries in Nigeria. Though there is no exact study on this, but the result in is not in conformity with the results of most of the similar studies like Nwankwo and Nwankwo (2014), Ajinaja and Odeyale (2017), Nwanne (2015), Abiola, Folasade and Omohanlen (2015) and others. Most of this works studied empirically, used gross domestic product as there dependent variables and Ajinaja etel (2017), in his two models used saving deposit account and loan to small scale enterprises as dependent variables respectively. While, Nwanne (2015), who used economic growth in Nigerian rural dwellers as dependent variable used survey and descriptive design. At the same vein, the result of this study is in conformity with the result of Awoyemi, Ogunyikamni and Akamolafe (2015) who studied a similar work "microfinance banks and small scale enterprises in Nigeria: empirical analysis from Abuja" and concluded that microfinance banks do not have a significant impact on the growth of small scale enterprises in Nigeria.

V. CONCLUSION AND RECOMMENDATION

5.1 Conclusion

This study in examining the effect of financial inclusion on the growth of cottage firms in Nigeria used time series data from 1995 to 2016. The previous studies related to the topic were reviewed in considering their methodologies, model specification and findings. Unit Root Test was conducted to ascertain the stationarity of the variables, Engle Granger Co-integration test was carried out to establish the long-run convergence and relationship of the variables and Error Correction Model is used to find out the speed of adjustment in which the variables will attain a long-run relationship.

Considering the result of the analysis, the study concluded that 40.2% of the changes in growth of cottage firms in Nigeria are influenced by the financial inclusion policies and findings of the study imply that the financial inclusion does not have any significant effect on the growth of cottage industries in Nigeria. Not minding the large number of cottage businesses in Nigeria, and yet they financially excluded. ACGSF was established as a need for government in Nigeria to resolve the problem of poverty and agricultural decline in the rural areas. About 90% of farmers in the rural areas in developing nations engaged in subsistence agriculture and are having inadequate funds to facilitate the expansion of their business, or even practice mechanize farming, with modern equipment like plough, tractors and other labor saving devices. According to Nnanna (2001), cottage firms both in the formal and informal sectors employ over 60% of the labor force in Nigeria. More so 70% to 80% of daily necessities in the country are not high-tech product, but basic materials produced with little or no automation. According to Shabna (2014), more than 70% of developing nation's population lives in the rural areas. Soludo (2007), opined that banking services are available to only about 40 percent of the population in the developing nations, while other do not have access to formal finance and are forced to rely on a narrow range of some risky and expensive informal financial services which constraints their ability to participate fully in financial markets to increase their income and contribution to economic growth.

5.2 Recommendations

The study in consideration of the objectives, statement of the problems, findings and conclusion arrived at the following recommends.

5.2.1 Promulgation of Financial Policies

The government and policy makers should endeavoure to consider the household and cottage businesses differently from the normal small and medium scale enterprises in promulgating of the financial policies. Thus, some of the areas that needs to be reconsidered in other to promote the growth of cottage firms in Nigeria are-:

Interest Rate

The government has to establish a cottage industry scheme fund where the businesses that exhibit the features and categorized as cottage business can obtain ten(ten) year free interest loan.

Term of credit

The credit due date should always be considered and extended for the cottage firms owners. This will enable them to have enough time to make up the fund for repayment.

Collateral and Securities

Most often the nature and type of the collateral requested from the cottage industry owners by the financial institutions before giving them credit are assets the owners of the business cannot afford. The identity of the cottage industry owner, the registration certificate and sighting of the location of the business should be enough security for loan extended to that class of business.

Registration

A special body should be in charge of the registration of household/cottage firms in Nigeria. The cost of the registration will be less and the procedures will not be too technical.

Social Amenities

The government should provide social amenities like road, water, electricity etc. that will enhance and facilities the growth of cottage firms in the country.

Taxation

The cottage firms should be exempted from paying corporate tax for the period of ten (10)years.

Imposition of Multiple Levies

Most often the local, state and federal governments impose series of levies to cottage industries in Nigeria. Some of these levies range from State developing levy, Local government developing levy, bill board levy, business premises, minor industry, sanitation bill, branded vehicle bill, advertisement bill, power bill, security bill, artisanship levy, business renewal levy etc.

Non- Rendering of Services by the Government

The government most often liquidates the cottage industries by not rendering of the services they paid for. For instance, the owners of cottage firms always pay power bill, water bill, sanitation bill etc in the rural areas without the government making these services available to them.

Sensitization

The government and policy makers should be sensitizing the cottage entrepreneurs on the benefits of those services available for them. These will educate them and enhance their knowledge about the services and system.

5.3.2 The Nigerian government should promote and encourage financial sector deepening by licensing more microfinance institutions, encouraging the microfinance institutions to have branches in the more remote rural areas.

5.3.3 The government should establish effective youth's development fund, cottage firms development fund. This should promote accessibility to finance among the youths and cottage entrepreneurs, thereby increasing their ability and possibility of getting involved in financial services and activities, thereby reducing financial exclusion in the country.

5.3.4 Considering the fact that the cottage firms employs both in formal and informal sector over 60% of labour force in Nigeria and more over 70% to 80% of Nigeria daily necessities are not highly tech product but basic material produced with little or no automation, the government should be considering the promotion and growth of cottage industries in making of their policies by sensitizing the low income earners, poor, rural dwellers, cottage entrepreneurs that belongs to surplus economic unit to be depositing their surplus fund with the microfinance institutions and at the same time the deficit economic unit of the same group should be borrowing from the microfinance institutions for their investment purposes.

5.3.5 The Agricultural Credit Guarantee Scheme Fund should be restructured and monitored by the government and policy makers by increasing the fund and ensuring that the fund is always extended to the rural farmers and not mis-channeled by the politicians.

These listed recommendations if considered by the government and policy makers should go a long way in correcting the adverse effect of financial inclusion on the growth of cottage industries in Nigeria. Thus, the financial exclusion will be eradicated while financial inclusion will be effective with positive result on the growth of cottage firms in particular and economic growth in general.

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