GLOBAL JOURNAL OF SOCIAL SCIENCES VOL. 5, NO. 1, 2006: 9-12
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DIVERSIFICATION OF LIVELIHOOD AMONG RURAL HOUSEHOLDS IN OWAN WEST LOCAL GOVERNMENT AREA, EDO STATE

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(Received 10 February, 2006; Revision Accepted 23 March, 2006)

ABSTRACT

The study assessed livelihood diversification among rural households in Owan west local government area of Edo state. Data were collected from ninety (90) households in 3 communities by means of structured interview schedule. Analysis of data reveals that 61.47 % of the households were poor. In terms of resources / asset base, the results show that non – poor households possessed significantly (P< 0.01) greater resources than poor households e.g. land (x^2 = 38.09), trading store (x^2 = 24.7) and skill possession (x^2 = 45.3). A significant (P < 0.01) difference also existed in the income diversification of the poor and non – poor households e.g. crop farming alone (x^2 = 24.7). The study recommends the financial empowerment of the poor to enhance their capacity to invest and diversify their income base.

KEYWORDS: Diversification, Livelihood, Rural Households, Assets, Poor

INTRODUCTION

In recent times, poverty reduction, sustainability and livelihood strategies have come to be the concern of both national and international governments worldwide. In an attempt to fashion out policy actions for reducing poverty and encouraging sustainable livelihood, a framework derived from "assets/ processes/ activities" has been developed (Scoones, 1998). Assets in this framework include: human capital (the education, skills and health of households members); physical capital (e.g. farm equipment or a sewing machine); social capital (the social networks and associations to which people belong); financial capital and its substitutes (savings, credit, cattle); and natural capital (the natural resource base). This framework is viewed as equally applicable to urban and to rural survival strategies.

In pursuing livelihood strategies a range of activities, both the access to assets and the use to which assets can be put, are mediated by social factors, economic trends and shocks such as drought, disease, floods, pests. In line with "assets/ processes/ activities" framework, a livelihood is defined as the activities, the assets and the access that jointly determine the standard of living gained by an individual or household. Rural livelihood diversification according to Ellis (2000) is the process by which households construct a diverse portfolio of activities and social support capabilities for survival and in order to improve their standard of living.

The tendency of rural households to engage in multiple occupations is frequently discussed at different forms but a few attempts have been made to link this behaviour in a systematic way to rural poverty reduction policies. There is therefore the need to understand the causes of the adoption by rural families of diversified income portfolios.

This study is therefore undertaken to investigate the rural households' asset – status, the extent of livelihood diversification, motivation as well as constraining factors among poor rural households in Owan West local government area of Edo state.

Hypotheses of the Study

1. There is no significant difference in livelihood resources of poor and non – poor households.
2. There is no significant difference in income diversification of poor and non – poor households

RESEARCH METHODOLOGY

The Study Area

This study was conducted in Owan West local government area of Edo state. It is located 90km from Benin City and has a land area of 826 square kilometers. Agriculture is the primary occupation of the people in the study area. They also are engaged in other income – earning activities.

Design and Sampling

For the purpose of this study, three villages, namely, Uhonmorra, Sabongidda – Ora and Oke – New were selected randomly from the seven (7) communities in the Local Government Area.

A random sample of 35 households was taken in each community giving a total of 105 households. The male or female head of the household was interviewed using structured interview schedule administered by trained enumerators. However, only 90 of the administered schedules were found useful for data analysis.

Poverty in this study is regarded as earning an income below an established poverty line as stated by Ajakaiye and Adeyeye (2001) and Onemolease (2005). Poverty status of households was determined by equating it to one-third of the mean income of the respondents as used by FOS (1999). This was used to classify the households into two groups:

i. Non – poor (NP): these are respondents whose income is above two third of the poverty line i.e. NP > $^2/_3$ (mean income)

ii. Extremely poor (EP): those households whose income falls below one third of the poverty line i.e. EP < $^1/_3$ (mean income).

Measurement of Variables

Poverty Status:

The World Bank/ FOS/ NPC poverty index was used in classifying respondents into poor and non – poor categories. The relative poverty line was determined by taking one third of the mean income of the respondents (World Bank/ FOS/ NPC, 1998).

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Livelihood diversification: this was operationalized as both on and off – farm activities which are undertaken to generate income additional to that from the main household agricultural activities (Hussein and Nelson, 1998).
Livelihood resource status: this was measured by respondent's possession or ownership of the following;

a. Natural capital: soil, water, air, genetic resources, land.
b. Financial capital: cash, credit/ debt, savings
c. Human capital: skills, knowledge, ability to labour and good health
d. Social capital: social relations, affiliation, associations
e. Physical capital: farm equipment, or sewing machine.

Percentages were used in analyzing data obtained, while chi – square was used to test the hypotheses of the study.

RESULTS AND DISCUSSION

Table 1: Livelihood resources possessed by rural households (N = 90)

Livelihood resources	Poor households		Non – poor households	
1. Natural Capital	Freq	%	Freq	%
Land ownership	5	5.56	59	65.6
Access to water right	1	1.11	81	90.0
Own any livestock	3	3.33	61	67.8
2. Physical Capital				
Ownership of store	1	1.11	48	53.3
Ownership of residential building	3	3.33	23	25.6
3. Human Capital				
Formal education experience	5	5.56	70	77.8
Health status	6	6.67	83	92.2
Possess any skills	6	6.67	83	92.2
4. Financial Capital				
Stored farm product	5	5.56	72	80.0
Livestock	3	3.33	61	67.8
5. Social Capital				
Membership of farmer organization	61	67.8	28	31.1

Field Survey, 2003

Data in Table 1 revealed the asset – status of the poor and non – poor households in the study area. The main assets of the poor and non – poor households as indicated in Table 1 were:
Natural Capital: 1.11%, 5.56% and 3.33% of the poor households possessed land, water right and livestock respectively. This sharply contrasted with non – poor households as 65.6%, 90% and 67.8% of them possessed land, water right and livestock respectively.
Physical Capital: of the poor households, 1.11% possessed a store and 3.33% had a residential building whereas of the non – poor households, 53.3% had a store while 25.6% had a residential building of their own.
Human Capital: of the poor households, 5.56% of them were educated, 6.67% claimed to be healthy and 6.67% were skillful. Whereas among the non – poor households, 11.8% were educated, 92.2% claimed to be healthy while 92.2% possessed a form of skill.
Financial Capital: The poor households had financial capital in form of stored farm products and livestock representing respectively 5.56% and 3.33% whereas of the non – poor households, 80.0% possessed financial capital in the form of stored farm products and 67.8% of livestock respectively.
Social Capital: The households belonged to only one form of association – the farmer organization fo which 67.8% of the poor households were members while 31.1% of the non – poor households also belonged.

Generally data in Table 1 indicated that assets status of the poor households was low compared with that of the non – poor households. Ellis (2000) said that ability of the poor rural households to engage in multiple activities and rely on diversified income portfolios is related to their asset status. Livelihood diversity results in complex interactions with assets. It has been found that poor households with low human capital, landless and poor financial capital tend to be unable to diversity income sources in the face of shocks and risk prone situations (Ellis, 1998 & Scoones, 1998).

Data in Table 2 showed the income sources of the households in the study area. The households were engaged in several activities from which income was derived. These were crop/ vegetable farming (90% for poor households and 10 % for non – poor households); livestock (8% of poor household, 61% of non – poor households); gifts (10% of non – poor households only); rent (8% non – poor only); remittances (26% of non – poor only); processing (10% poor, 28% non – poor) and government work (3% poor, 21% non – poor). Others include trading (1.11% poor, 38% non – poor), casual labour (58.9% poor, 12% non – poor), self – employment (25.3% poor, 56.7% non – poor) and pension (18% non – poor only).

Table 2: Income sources by different classes of rural households (N = 90)

Income sources	Poor households		Non – poor households	
	Freq	%	Freq	%
Crop/ vegetable farming only	81	90.0	9	10.0
Livestock	7	7.78	55	61.1
Gifts	-	-	9	10.0
Rent	-	-	7	7.78
Remittances	-	-	23	25.6
Processing	9	10.0	25	27.8
Government work	3	3.33	19	21.1
Trading	19	21.1	34	37.8
Casual labour	53	58.9	11	12.2
Self – employment	1	1.11	51	56.7
Pension	-	-	16	17.8

Field Survey, 2003

Data in Table 2 revealed that the non – poor households adopted more diversified income portfolios than the poor households. This finding may be due to the fact that the poor households were unable to put assets to productive use due to low or lack of assets. Ellis (2000) opined that the cash resources obtained from diversification may be used to invest in or improve the quality of, any or all of the five classes of assets distinguished earlier.

Table 2 also showed that majority (90%) of the poor households relied on farming as a major source of income than the non – poor (10.0%). Brown (2001) observed that reliance on agriculture tends to diminish continuously as income level rises i.e. the more diverse the income portfolio the better – off is the rural household.

Table 3: Distribution of households by livelihood diversification motivating factors (N = 90)

Factors	Poor household		Non – poor household	
	Freq	%	Freq	%
Seasonality	79	87.8	11	12.2
Risk reduction	56	62.2	30	33.3
Income earning capabilities	59	65.6	32	35.5

Poor rural households in the study indicated that they were motivated to engage in multiple activities by seasonality of their major occupation (87.8%), attempt to reduce risks (62.2%) and income generating capabilities of the respondents (65.6%). For the non – poor households seasonality of farming activities is 12.2%, risk reduction (33.3%) and income generating capabilities of the respondents (36%) were motivating factors (Table 3).

Table 4: Distribution of respondents according to livelihood diversification constraining factors (N = 90)

Factors	Poor household		Non – poor household	
	Freq	%	Freq	%
Declining farm output	58	64.4	31	34.4
Inadequate capital	68	75.5	27	30.0

Field survey, 2003

In Table 4, the results show that declining farm output is limited by 64.4% of the poor household livelihood diversification. This is because low output translates to low income which limits farmers' capacity to invest in other income earning ventures. Not surprising therefore, majority of poor households (75.5%) claimed that inadequate capital was a limiting factor. Comparatively, the results of the Table 4 show that poor households were more limited than non – poor households.

Table 5: Significance of the differences in livelihood resource assets of the rural households (chi - square)

Livelihood resource	Poor households (%)	Non – poor households (%)	X^2	d.f.	Decision
Land ownership	1.11	66.3	42.7	1	Significant*
Livestock ownership	5.56	91.0	40.6	1	Significant
Trading store	1.11	53.9	37.3	1	Significant
Formal education	5.56	78.7	39.1	1	Significant
Skill possession	6.67	93.3	45.3	1	Significant
Health status	6.67	93.3	45.3	1	Significant
Stored farm products	5.56	80.9	39.2	1	Significant
Membership of farm organization	67.8	31.5	7.49	1	Significant

*Significant at 1 %

Chi – square analysis of difference in proportion in livelihood resources possessed by respondents shows that a significant difference exists in resources/ assets possessed by poor and non – poor households at the 1% level. The results showed that non – poor households possessed significantly higher livelihood resources than poor households. Ownership of land (X^2 = 42.7), livestock (40.6) and formal education experience (39.1). However, a significant proportion of the poor households belong to a farmer cooperative society than non – poor households (X^2 = 7.49) at the 1 % level. It is possible that low income status of the poor households may have encouraged them to become members of cooperative societies.

Table 6: Significance of the differences in income diversification of poor and non – poor households (chi - square)

Income sources	Poor households (%)	Non – poor households (%)	X^2	d.f.	Decision
Crop farming	90.0	10.0	38.09	1	Significant*
Livestock	7.78	61.1	26.7	1	Significant
Processing	10.0	28.1	20.3	1	Significant
Government employed	3.33	21.3	9.4	1	Significant
Trading	21.1	48.2	24.7	1	Significant
Casual labour	58.9	12.4	23.3	1	Significant
Self employment	7.11	56.67	15.9	1	Significant

*Significant at 1 %

The extent and significance of diversification of income sources of poor and non – poor households is presented in Table 6. The results show that poor households were more significantly involved in crop farming (X^2 = 38.09) and casual labour (X^2 = 23.3) than non – poor households. However, the non – poor households were more significantly involved in livestock (X^2 = 26.7), processing (X^2 = 20.3), government service (X^2 = 9.4), trading (X^2 = 24.7) and self employment (X^2 = 15.9).

The results show that non – poor households had significantly more income sources than the poor households.

IMPLICATIONS AND CONCLUSIONS

The study assessed the rural livelihood diversification among rural households. The findings reveal that most rural households are poor. In addition, it shows that the resource/ asset base of the poor and non – poor differ significantly. Also the livelihood diversification of the non – poor and poor households differed significantly.

The major constraint to income diversification of the respondents was inadequate capital. Low or lack of assets is fundamental to livelihood strategies and for this reason policies and projects have to be put in place that will target low asset households. Farrington et al (2002) proposed a livelihood approach to analysis of extension priorities which point to new ways to ensure that efforts are more congruent with the strategies of poor people themselves to cope and to thrive.

Majority of the poor rural households in the study area relied heavily on farming as a source of income than non – farm sources. An obvious means to alleviate poverty of these rural households is to encourage them to diversify their income portfolio. Extension services have a role to play here. This role translates into helping poor rural households to cope with their vulnerability; helping them to escape from poverty and thrive.

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