



Tropentag, October 11-13, 2006, Bonn

“Prosperity and Poverty in a Globalised World—
Challenges for Agricultural Research”

Boda-bodas Rule: the Poverty and Inequality Implications of Non-farm Activities in Western Kenya

JANN LAY¹, GEORGE MICHUKI², TOMAN OMAR MAHMOUD¹

¹*Institute for the World Economy, Poverty Reduction, Equity and Development, Germany*

²*German Institute for Global and Area Studies, Hamburg, Germany*

Abstract

Several reasons have been advanced for income diversification into nonfarm activities among rural households in Sub-Saharan Africa. Broadly, one may classify diversification behaviour as ‘survival-led’ or ‘opportunity-led’. Poor rural households with low asset endowments will embrace multiple livelihoods to ensure survival. At the same time, richer rural households with higher asset endowments will choose to diversify their livelihoods to maximise returns to their assets. The existence of these two types of non-agricultural activities implies a U-shaped relationship between the share of income derived from nonfarm activities and household wealth (and accordingly total household income). According to this view on nonfarm activities, the poverty and distributional impact of nonfarm activities should be ambiguous: ‘Survival-led’ engagement in non-farm activities should be inequality decreasing through increasing the incomes of the poorer parts of the population and hence reduce poverty. ‘Opportunity-led’ diversification however would increase inequality and have a minor effect on poverty, as it may be confined to non-poor households. Some authors have pointed to this ambiguity, but the literature has so far not explicitly addressed the relationship between different diversification strategies, on the one hand, and poverty and distributional outcomes, on the other. In this paper, we first attempt to confirm empirically that diversification into nonfarm income can be ‘survival’ or ‘opportunity’ driven. We estimate a choice model where we allow individuals to choose between staying in agriculture and the two types of nonfarm diversification using data from a household survey conducted by the authors in Kakamega district in Western Kenya. Our empirical findings seem to confirm the existence of ‘survival-led’ and ‘opportunity-led’ diversification. We find the poverty and inequality implications of the differently motivated diversification strategies to correspond to the expected patterns.

Keywords: Income diversification, inequality, nonfarm activities, poverty