Policy Challenges of Livelihood Diversification through Small Businesses: Evidences from Three Districts of Rural Ethiopia

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Abstract

The role of small businesses is often neglected by rural development policies of Ethiopia. In these regard, the present Ethiopian government had also criticized by some quarters for pursuing countryside development strategies that neglect contribution of small business in the countryside. The knowledge gaps due to the lack of empirical or theoretical attentions has been revealed in the policies and strategies of developing countries including Ethiopia where there is no development policy that detects and expand rural small business. Therefore, this research will assess the challenges of livelihood diversification through small businesses in three districts (Oda Jalela, Lege Lencha and Mede Telila) of rural Ethiopia. The minimum sample size is 122, but 150 households were taken for greater precision and accuracy. To reach to the intended target sample, the households were stratified in to three wealth groups, rich, medium and poor based on the classification of district officials. From each stratum, the required number was selected based on proportional random sampling techniques. The major finding of the study are lack of initial capital, lack of business awareness, lack of technical skill and lack of inputs are cited as the major entry barriers. On the other hand, as far as location distribution of entry barriers, it shows some variations. With regard to participant's constraint to expand small business, the majority of them reported that lack of capital, lack of market and poor infrastructure was their major constraints. To conclude, deferential treatment becomes imperative as the challenges are not the same in all study districts.

Key Words: Livelihood Diversification, Small Businesses, Rural Household

1. Introduction

Most African countries depend on the agricultural sector for their means of livelihoods which is true in as Ethiopia 80% of the population depends on the agricultural income. However the sector is typically characterized by its low productivity and non-harvest season. As stated by Mulat (1997) rapid population growth with the average farm size less than one hectare, landlessness, soil degradation, low level of technology utilization and increasingly unreliable and erratic rainfall have resulted in wide spread poverty and vulnerability.

Rural households in Ethiopia are frequently not able to provide themselves from their farms income. In this regard, many researchers also confirmed that, the number of poor people exceeds the ability of agriculture to provide sustainable livelihood prospects. Ellis (1999) noted that farming on its own is progressively unable to provide a sufficient means of existence in rural areas. Recently, there is consensus across the world that small enterprises can become effective creators of employment, innovation and income generation both in town and countryside. Moreover, they can drive economic growth and thus play a crucial role in the fight against poverty (Andreff and Dominique, 2001; Beck and Levine, 2003; Belay, 2000; Dockel and Ligthelm, 2005).

Although rural households, who are primarily agricultural, used to deploy their resources between farm and small business to diversify income and reduce the inherent risk embedded in the dependence of agricultural production, little care is given by the concerned groups to diversification out of agriculture as a peasant survival strategy. While other aspects of rural welfare, for instance, education, health service, water supplies and so on are accorded some weight, there is relative neglect of small business in rural area. The current review, however, has revealed that this neglect may have omitted one-third of the countryside economy from the policy discussion and associated action. Its contribution in decreasing rural urban migration, employment creation, decreasing countryside poverty and promoting a more equitable distribution of income are downplayed.

Investigation in to income diversification approaches identifies small business as one coping strategies for poor households in marginal environment (Ellis, 2005). Among others, income from rural business provides the cash that enables a farm household to buy food during a drought or after a harvest short fall. It is also a basis of farm household savings, used for food purchase in difficult times. This is specially the case where savings, credit and insurance systems are not existing for this objective, as is the case in many countryside areas in Africa.

In Ethiopia, although RNF incomes are important as an off-season and parttime for households whose main activity is farming and employment for landless rural people, engagement in this activities have their own entry barriers for low income group. Hence, this study investigates ppolicy challenges of livelihood diversification through small businesses extracting evidence from three districts of rural Ethiopia. The districts under study are Oda Jalela, Lege Lencha and Mede Telila. Oda Jalela is located in the South-Eastern part of the major town (Doba) in W/harerghe at a distance of 20 Kms from the town. Lege Lencha district is located in the SouthWestern part of the major town (Doba) at a distance of 25kms from the town. The most remote district compared to Oda Jalela and Lege Lencha, is Mede Telila. It is located in the North-Eastern part of the major town (Doba) at a distance of the 36 kms.

1.2 Statement of the Problem

In Ethiopia, countryside development strategies often neglect small business in rural area and their link with productivity of agricultural sector. In these regard, the present Ethiopian government had also criticized by some quarters for pursuing countryside development strategies that neglect contribution of small business in the countryside. Tassew (2002) and Mesfin (1991) argue that "this is as the role of small business is the least understood component of the rural economy and its role in the broad development process is not very much known. Small enterprises have shown great resilience during the time of crisis. They have also demonstrated to be a reliable source of employment by creating opportunities at relatively low capital cost.

The conventional urban biases by trade and industry sector have plaid its part to the relative mistreatment of the rural small business where the links between farm and business activities are not fully recognized. There is social cost for not knowing the importance of the rural business activities which the study areas are a victim. Policy makers and donors have increasingly recognized the roles of small business in creating employment and income generation with the dual objective of enhancing economic growth and sustainable development (Beck and Levine, 2003; Evans, 1987; Everett and Watson, 1998).

Although income from small business is important for households whose main activity is farming and landless, engagement in these activities have their own entry barriers for low income group. Gordon et al (2001) indicated that business income in Africa tends to benefit the better-off disproportionately implying significant entry barriers for low income group.

The knowledge gaps due to the lack of empirical or theoretical attentions has been revealed in the policies and strategies of developing countries including Ethiopia where there is no development policy that detects and expand rural small business. Given the ever-increasing agricultural difficulties of traditional production system to support the livelihood needs of the vulnerable people, diversification in to various sectors of small business are becoming imperative.

Small business in rural region has paramount importance to decrease rural urban migration, unemployment, poverty and to increase income and improve household welfare by promoting a more impartial dissemination of income. Despite the apparent significance and the numerous policy initiatives introduced by Ethiopian government, the entry barriers and contributions of small business in countryside are constrained by lack of business skills, limited access to business development services (Craig, Jackson and Thomson 2007). The severity of livelihood diversification through small business also varies as the districts are getting far from the town.

Therefore, this research will assess the challenges of livelihood diversification through small businesses in three districts (Oda Jalela, Lege Lencha and Mede Telila) of rural Ethiopia which has various distance from the nearby town (Doba).

1.3 General Objective

The general objective was to assess the challenges of livelihood diversification through small business in three rural districts (Oda Jalela, Lege Lencha and Mede Telila) of Ethiopia.

1.4 Specific Objectives

Based on the overall objective of the study, the detailed objectives are a) to compare the major features of rural families in three districts of rural area, b) to assess the major entry barriers to countryside households in small business, c) to analyze the general constraints of participant of small business in the target rural areas, and d) to assess rural household's perception about their livelihood security in the study districts.

2. Literature Review

2.1 Livelihood Diversification

According to Ellis (2000), rural income expansion is defined as, the process by which households in countryside construct on progressively varied portfolio of activities and assets in order to survive and to improve their standard of living (Delil, 2001; Mbilinyi et al, 1999b).

2.2 Definition of Small Business

There is no single or universally acceptable definition of small business as the criteria and ways of categorising enterprises as small vary from institution to institution and from country to country, depending essentially on the country's stage of development (Emma et al., 2009 Gebrehiwot and Wolday, 2006; Kolvereid and Isaksen, 2006). Within the same country, the criteria for categorising small enterprises may change over time as a result of factors such as changes in costs and technology (Solymossy and Penna, 2000; Kolvereid and Isaksen, 2006).

Eshetu and Eleke (2000), Mulugeta (2011) and Liedholm (1992) define small enterprises based on their growth potential, level of capitalisation, sales and employment. The United Nations Industrial Development Organisation (UNIDO) provides an alternative definition for developing countries, defining small enterprises as business firms with between five and 19 employees (UNIDO, 2002).

The operational definition used for this study is the one offered by the Ministry of Trade and Industry in Ethiopia. This defines an enterprise based on the number of employees and paid up capital. According to the revised Micro and Small Scale Enterprises Growth Stage Guideline of the Federal Democratic Republic of Ethiopia (FDRE), No. 004/2011 (FDRE, 2011).

The industrial sector comprises urban agriculture, manufacturing, construction and mining sub-sector and so on is a business enterprise, as it employs between six to 30 workers, including the business owner and family labour and/or with the monetary value of the enterprise's total assets, that is not more than 100,000 ET. Br (USD 5,555).

The trade and service sector includes retail trade, transport, hotels and tourism, information technology and repairs. It is made up of business enterprises that employ not more than five people, including the business owner and family labour and/or with the monetary value of an enterprise's total assets being not more than 50,000 ET. Br (USD 2,777). Table 2.1 below summarises the classification of small enterprises.

Table 2.1: Classification of Small Enterprises

Enterprise size	Sector	Asset	Number of workers
Small	Service and Trade Industry, construction, urban agriculture and manufacturing	50,001–500,000 birr (USD 2,777–27,777) 100,001–1.5 million birr (USD 5,555– 83,332)	6-30 individuals

Source: Source: FDRE (2011)

2.3 Challenges to Small Business in Rural Areas

Despite their significant contribution to the economy, small enterprises in countryside face serious challenges. According to Muma (2002), Hallberg (1999) and Ishengoma and Kappel (2006), this sector is often referred to as small businesses with big problems. Although there are several challenges to the growth and expansion of small enterprises, the human capital, social capital, physical capital, financial capital, business development services and marketing challenges are identified as the major growth inhabiting factors in rural region of Ethiopia, (MoTI, 1997).

2.3.1 Human Capital

Human capital comprises the abilities, knowledge, and healthiness important to the ability to follow diverse livelihood strategies. The existence of an excessive labor supply can also be a stronger stimulus to the diversification in to small business activities (Lanjow, 1999; Reardon, 1997; Haggblade et al, 1987; Islam, 1997); Smith et al, 2001; Start, 2001). 2.3.2 Social Capital Social capital comprises the social resources (e.g.networks, membership of groups, relationships of trust, access to wider institutions of society) upon which people drawn in pursuit of livelihoods (Griffith et al, 1999; Newman and Canagarajah, 1999; Fafchamps and Minten, 1998).

2.3.3 Physical Capital

Physical capital includes hard infrastructure (e.g. roads, telecommunications, power and water), and production equipment and buildings that are owned individually (Reardon et al, 1998). There is a consensus in the literature on the critical contribution of infrastructure in the development of the small business. Lanjow (1998) notes: ". . . Innumerable studies that document the constrained access of rural enterprise to power and telecommunications, and the high business costs caused by inadequate roads. Moreover, there is ample evidence to illustration that bank, marketing and service canters, training canters and other support activities tend to locate where infrastructure

2.3.4 Financial Capital

One of the major problems for rural households and individuals wishing to start a business are access to capital or credit. Several development economists have demonstrated that shortage of finance is a major obstacle to the development of small enterprises (Beck, Kunt and Maksimovic, 2006; Gebrehiwot and Welday, 2006; MTI 1997; Negash and Kena, 2003).

The accessibility of finance is crucial for dynamic enterprises whose growth potential exceeds their internal sources of finance. However, because of limitations in the credit markets of developing countries, the majority of entrepreneurs start their businesses with little or no support from formal financial institutions (Barney 1991; Dockel and Ligthelm, 2005).

Without start-up funds or with only little cash available for investment, households are limited to a small number of activities that yield poor returns, partly because of the proliferation of similar low entry barrier enterprises. In the same way, individuals with little or no personal savings may find themselves

2.3.5 Business Development Services

Business Development Services (BDS) are defined as a wide variety of nonfinancial services such as training, counseling, technology development and its diffusion (Peterson et al. 1983; Yu, 2002). According to Cortes, Berry and Ishaq (1987) and Meid and Leidholm (1998) business development services enable small enterprises to become productive and to effectively reduce poverty by contributing to the development of local economies.

In most developing countries, according to Ishengoma and Kappel (2006), the majority of enterprises have no access to business development services. This is mostly because institutions that can provide such services do not exist or because entrepreneurs are unaware that the service is offered in their country, while others are ignorant of their value (CDASED, 2001; Fay and Clark, 2000). In fact, the presence of a strong institution that can provide reliable and timely information through efficient information systems is vital for the success of small enterprises. Information related to market, raw materials, technology, business opportunities, government policies and regulations is a prerequisite for the growth and expansion of small enterprises (Berkham et al., 1996; Rosmary, 2001).

2.3.6 Marketing Challenges

According to Andualem (1997) and Negash and Kena (2003), market constraints experienced by small enterprises have been listed as among the most serious obstacles to growth beyond subsistence level. The CSA's report (2003) on Ethiopia, which is based on 31,863 small-scale industries all over the country, indicates that 48% of all establishments faced difficulties related to demand or access to markets, and weaknesses in or total absence of appropriate marketing channels.

2.3.7 Technology Related Challenges

According to Beck and Levine (2003), technology designates a combination of machinery, labor, skills and techniques. These technologies need to be consistent with local resources and conditions in order to make effective use of the relatively abundant resources. However, the issues of adopting appropriate technology and the limited access to this type of technology have presented serious problems and obstacles for operators of small-scale enterprises (Liedholm, 1992; YU, 2002; Watson and Everett, 1999). Among the entrepreneurs studied by the CSA in Ethiopia, 29% reported machinery failure as the major reason for their inability to be operational (CSA, 2003). Assefa (1997) also notes that small enterprises have difficulties in accessing appropriate technologies and information.

2.3.8 Policy Related Challenges

Arimah (2001) and Chen (2005) point out that small enterprises require policies conducive to growth, a good incentive package and encouraging business environments to produce products that are competitive. In many countries, the overall economic policies such as trade, pricing, taxation and credit policy are biased in favor of large enterprises (Haggblade, Liedholm and Mead, 1990; Huang and Brown, 1999). Under trade policy, for example, government can directly allocate import inputs and this favors large enterprises that are more probably than smaller ones to gain access to import quotas. Large enterprises are often decided industrial investment

incentives that enable them to import their capital goods duty-free for a certain period (Berry, 1995; Ishengoma and Kappel, 2008).

There are also complex and burdensome government rules and regulations that emanate from a perception that small enterprises neglect business regulations and therefore operate under illegal conditions, disobeying one or more government rule (Cortes et al., 1987; Liedholm, 1987). Such infractions could result in penalties in the form of a lump-sum fee, which would result in a reduction of income for business operators (Mensah, 2005). In extreme cases, it could result in the closure of a business or the confiscation of a business's property, creating uncertainty and discouraging business investment.

3. Methodology

3.1 Data Types and Data Sources

The study is mainly qualitative and cross sectional by design. Both primary and secondary data sources have been employed. Furthermore, three focus group discussion in each district (36 individuals) and interview with 10 residents in all study area have been used to validate the data collected through other methods. Triangulation was applied for cross checking and verification of the information collected from different sources. The various data gathered through different method were analyzed using different techniques. The analysis of the in-depth interview data and the information gathered from focus group discussion was started during data collection in order to focus the question and the study as a whole. Guided by research questions, each interview transcript was analyzed for concise of thoughts. Lists of key issues were prepared and findings were organized according to the list. During process of data analysis, the researcher made an effort to look for patterns, differences, variations, and contradictions.

3.2 Sampling Procedures and Sample Size

Both probability and non-probability sampling techniques was used to collect data at different stages of the study. To determine the minimum sample size, a simplified formula provided by Yamane (1967) was used to determine the minimum sample size at 95% level of confidence, 0.05 degrees of variability. $n = N 1+ N (e) 2$ Where, n = sample size N = number of population=11305 E= margin of error The minimum sample size required, according to the above formula, was 122 households. However, for greater precision and accuracy, the total number of respondents taken from all study site was purposefully determined to be 150 households. To reach to the intended target sample (using districts roster that are based on local criteria), the households were stratified in to three wealth groups, rich, medium and poor based on the classification of districts officials. From each stratum, the required number from each study districts were selected based on proportional random sampling techniques.

Table 3.1: Income strata in each district

No	Name of Sample Districts	Income Strata In each district	Number of House Holds In each Strata
1	Oda Jalela (near to town)	Rich	742
		Medium	1000
		Poor	3483
	Total		5,225
2	Lege Lencha (Far from town)	Rich	500
		Medium	846
		Poor	2100
	Total		3,446
3	Mede Telila (Very far from town)	Rich	240
		Medium	270
		Poor	2124
	Total		2634
	Total Sample	--------	11,305

Source: Study District Office, 2017

Table 3.2: Income strata and sample taken from all districts

No	HH by wealth category	Households by wealth category	Randomly selected proportional sample
1	Rich	1482	20
2	Medium	2116	28
3	Poor	7707	102
	Total Population	11,305	150

Source: (Own Derivation, 2017)

4. Results and Discussions

In this study, the data analysis was based on the data collected, compiled and tabulated from primary sources and supplemented by secondary sources. In addition, the ideas and opinions elicited from officials and other concerned bodies through interviews and focus group discussions were analyzed using descriptive narrations. The analysis of the interview data began during the data collection in order to focus on the questions and on the study as a whole. Guided by the research questions, each interview transcript was checked for consistency. Lists of key issues were prepared and the findings were organized according to these lists.

In this way, periodic analysis of the data provided a direction for further data collection, especially regarding what questions should be asked and what actions taken, based on what had

already been observed, answered and completed. This necessitated the reiteration and reinterpretation of data; this is in fact the hallmark of this study. During the process of data analysis, an effort was made to identify similarities, variations and inconsistencies.

4.1: Educational Status of Sample Households

Table 4.1: Educational Status of Sample Households

Sample Districts	Education level of Sample Households					
	Participants (N=60)			Non-Participants(N=90)		
	1-6	7-9	10-12.	Illiterate	1-6	7-9
Oda Jalela (Very Near to town)	16(32)	6(12)	5(10)	16(32)	6(12)	1(2)
Lege Lencha (Far from town)	12(24)	4(8)	3(6)	26(52)	5(10)	-
Mede Telila (Very far from town)	9(18)	3(6)	2(4)	30(60)	5(10)	1(2)
Total	37(61)	13(21)	10(16)	72(80)	16(17)	2(2)

Source: own survey, 2017

*Total % age is taken from all participants (N=60) or non-participants (N=90) while others are from the respective district participants or nonparticipants.

Regarding education, the existence of a positive link between access to and level of education on one hand and involvement in the more remunerative business activities on the other is undisputed in the literature. Reardon (1997) cites a number of authors who have addressed the importance of education and skills as determinants of business start-ups and wages earned in the rural area. Better-educated members of rural population have better access to any business activities and are highly likely to establish their own businesses.

In Table 4, the importance of education as determinants of small business success is depicted. Where education is poorly distributed small business that require an educated labor force are highly limited. This illustrate, rural education has greater effect in starting and expanding different types of small business. In the study area, 16 (32%) households in Oda Jalela are those that have completed grade 1-6, while 6 (12%) households are those that have completed grade 7-9 and 5 (10%) households are those that have completed grade 10-12.

In Lege Lencha, where 19 (38%) sample households are participants of small business, 12 (24%) households have completed grade 1-6 while 4 (8%) households are grade 7- 9. Those that have completed grade 10-12 are only 3 (6%) households. Among 14 (28%) business participants of Mede Telila districts, those that have completed grade 1-6 accounts to 9 (18%) households while those that have completed grade 7-9 are 3 (6%) households and those that have completed grade10-12 are 2 (4%) households.

As revealed in the Table, while there is no one that cannot read and write in the participants, the number of illiterate in non-participants is high and it increase as the district is getting far from town. It is also found out that the illiteracy rate in the study population is high which accounts about 72 (80%) and the majority, i.e. 90 (60%) of the households heavily depend on traditional agricultural practices. These implies sensitizing and offering peasants with various small business skills are essential for the better livelihood of the community at large.

4.2 Business Entry Barriers

Table 4.2: Major Entry Barriers to Non-participant Households

Sample	Entry Barriers to Non-participant Households (N=90)				
Distance from township	Lack of initial capital	Lack of Market	Lack of technical skill	Lack of Business development Service	Total
Oda Jalela	7(30.4)	2(8.7)	4(17.4)	10(43.5)	23(100)
Lege Lencha	9(29.3)	12(38.7)	6(19.4)	4(12.9)	31(100)
Mede Telila	3(8.3)	15(41.7)	12(33.3)	6(16.7)	36(100)
Total	19(21)	29(32.1)	22(24.4)	20(22.2)	90(100)

* The Number in the bracket indicates Percentages out of hundred

Source: Own survey, 2017

In Oda Jalela district, the major entry barriers encountered by the nonparticipant households are lack of inputs 10(43.5%) and lack of initial capital 7(30.4%). These followed by lack of technical skill 4(17.4%) and lack of inputs 2(8.7%). With regards to Lege Lencha district, lack of business awareness 12(38.7%) and lack of initial capital 9(29.3%) are their major challenges. they also suffer from problems like lack of technical skill 6(19.4%) and lack of inputs 4(12.9%). Concerning Mede Telila district, lack of business awareness 15(41.7%) and lack of technical skill 12(33.3%) are their major challenges.

On the other hand, as far as distributions of households' entry barriers by their distance from the nearby township, it shows some variations. Nonparticipant households that are very far from the nearby town have ranked lack of business awareness 15(41.7%) as the major challenge while major challenge to district that is near to town is lack of inputs 10(43.5%). The major challenge to Lege Lencha which is also far from town compared to that of Oda Jalela is Lack of business awareness 12(38.7%) and lack of inputs 6(16.7%) in descending order as the major entry barriers.

The survey result was corroborated with the in-depth interviews. Unlike the respondents that are near to the township, which responded unevenly about the challenges of rural business, almost majority of the respondents that are very far from the township emphasized the need of all the variables to start and expand small business in rural area.

Generally, no differences have been observed among the three-interviewee groups in specifying initial capital as the requirements to start small business. The implication is that access to finance; business awareness, market and other infrastructure are among the major factors, which determine the success of the small business in the rural area. Moreover, almost all focus group discussants reported that availability of all-weather roads and access to transport facilities play a major role in minimizing transaction costs and in saving working time.

From the above discussions, it is clear that, even though peasants do have extra time, which enables them to be involved in rural small business activities and there are push factors i.e. inability to satisfy their food requirement from agricultural production, their involvement in income generating activities through small business is limited/minimal.

4.3: Constraints of Business Participant

Table 4.3: Major Constraints to Participant Households

Location proximity to town	Major Constraints to Participant Households(N=60)				
	Lack of initial capital	Lack of Market	Lack of technical skill	Lack of Business development Service	Total
Oda Jalela	12(44.4)	6(22.2)	5(18.5)	4(14.8)	27(100)
Lege Lencha	6(31.5)	3(15.8)	4(21)	6(31.5)	19(100)
Mede Telila	3(21.4)	1(7.1)	4(28.6)	6(42.9)	14(100)
Total	21(35)	10(16.7)	13(21.7)	16(26.7)	60(100)

*The Number in the bracket indicates Percentages out of hundred
Source: Own survey, 2017

As illustrated in Table 4.3 above, participant households, 6(22.2%) of them in Oda Jalela revelled lack of market as their major problems next to lack of initial capital which accounts for 12(44.4%) of the respondents in the same district. Challenges from lack of business development service were only accounts to 4(14.8%) of the respondents. Compared to challenges due to business development service in this district, lack of technical skills are significant as it accounts to 5(18.5%) of the respondents. These clearly revels that business development service to respondents residing near town was not priory challenge compared to the other challenges. Business participants in Lege Lencha were indifferent about their major challenges. In both districts, 6(31.5%) respondents have replied that lack of initial capital and business development services were their major. Next, 4(21%) respondents have ranked lack of technical skill as their challenges that followed by 3(15.8%) respondents, who replied lack of market being their constraints.

Concerning Mede Telila business participant, which is very far from town, majority of the respondents, 6(42.9%) of them replied that business development services were there priory challenges and followed by respondents 4(28.6%) that replied lack of technical skill as their next constraints. The result clearly showed that business participants that are living far from town are far less accessible to business development services such as training and credit.

Generally, while most 21(35%) of the business participants were suffering from lack of initial capital, the significant number of respondents 16(26.7%) were also suffering from lack of business development services. These imply that there is a need to provide credit facilities, training and other services to the rural people so that they diversify their income and secure livelihood system. Focus group discussants also corroborate that the afro mentioned constraints are negatively affecting the participations of most people in different business activities.

The result also showed that business participants near to town are better served in terms of business development service, credit access and market linkages and those business participants that are relatively far from town need special attention by the concerned bodies. Hence, deferential treatment become imperative as the challenges hindering business development and expansion are not the same in all study districts.

4.4. Household's Perception about Agricultural

Income Where there are constraints on access to credit, investment linkages between rural business and the farm sector may also be very important. In such circumstances, rural business may be crucial for a farm household's capacity to purchase modern inputs and investments invest on their farmland which intern increase the production and productivities of their land.

Table 4.4: Household's Perception about Agricultural Income

Sample Districts	Agricultural Income Trend in the Last Three Years					
	Participant Households(N=60)			Non- Participant Households (N=90)		
	Increased	Remained the Same	Decreased	Increased	Same	Decreased
Oda Jalela	23(85.2)	3(11.1)	1(3.7)	4(17.4)	1(4.3)	18(78.3)
Lege Lencha	14(73.7)	2(10.5)	3(15.8)	3(9.7)	8(25.8)	20(64.5)
Mede Telila	8(57.1)	2(14.3)	4(28.6)	7(19.4)	5(13.9)	24(66.7)
Total	45(75)	7(11.7)	8(13.3)	14(15.6)	14(15.6)	62(68.9)

*Total % age are taken from all participants (N=60) or non-participants (N=90) while others are
from the respective districts participants or non-participants.

Source: Own survey, 2017

Regarding the situations of respondents' agricultural income trend, 45 (75%) business participant i.e., 23 (85.2%) from Oda Jalela, 14(73.7%) of them from Lege Lencha and 8 (57.1%) of them from Mede Telila, responded that their agricultural income has increased during last three years. Only 8 (13.3) participant households from all districts responded that their income has decreased.

Comparison between participant and non-participant households have also shown where business participants are in a better condition compared to their counterparts. Generally, while 45 (75%) participant households responded that their income has increased in the last three years, only 14(15.6) of non-participants responded in the same manner. Again, when 62 (68.9%) of non-participants answered that their income decreased in the last three years, only 8(13.3) of the participant households replied that their income decreased. These variations occurred because income from small business also increases household's capacity to buy modern inputs and hence increases farm productivity and production.

4.4.1 Households' Perception about their Livelihood Security

When asked, do you believe you will be food secure and self-sufficient if you do farming alone? 24 (88%) participant household heads near to the township and 19 (100%) of them that are far from township and 14 (100%) of them in the very far location from the township have responded, no. In the words of one elderly participant in the FGD conducted in the far location from the township:

> *The mainstay of life for the majority of community members is farming. Recently, however, more and more people are engaging in daily labour. I estimate 75% of the people earn their living from farming, 20% from daily labour, and 5% from petty trade.*

Another participant remarked:

> *Had it not been for land constraint and recurrent drought, farming is preferred occupation. However, trade is a must give there is acute land shortage and recurrent drought.*

Still another participant said:

> *In former times, farming was enough for livelihood. Now, however, the land' Productivity has declined. Grazing land is vanishing since it is being farmed. We feed our cattle with Purchased foliage. It is increasingly difficult to subsist by Farming alone. Yet, most people still pursue farming only.*

4.5 Conclusions and policy Implication

4.5.1 Conclusions

As to that of entry barriers to non-participant households, lack of initial capital, lack of business awareness, lack of technical skill and lack of inputs are cited as the major entry barriers. On the other hand, as far as location distribution of entry barriers, it shows some variations. Business operators that are found very far from township have ranked lack of business awareness, lack of technical skill and lack of initial capital in descending order.

Respondents that are found near to the township also ranked lack of initial capital, lack of inputs and lack of technical skill and business awareness in the same order. With regard to participant's constraint to expand small business activities, the majority of them reported that lack of capital, lack of market and poor infrastructure was their major constraints which implies that there is a need to facilitate market and credit institution to the rural people so that they upgrade their business activities.

Generally, the main conclusion to be drawn is the importance of helping rural poor to overcome the constraints and thus enable them to participate in small business activities. This entails diagnosing the kinds of asset constraining the poor with respect to entrance in to the more dynamic and remunerative small business activities and using policies and programs to address those asset constraints.

4.5.2. Policy Implications

Promoting different income generating activities: Expansions of such schemes are a necessary condition for the gradual reduction of rural unemployment. Changes in the occupational composition of the labour force through diversification of employment opportunity would also reduce population over crowding on the farm lands.

An important key to livelihood security success in rural area lies in helping the poor to participate in small business. Also important for facilitating such participation are institutional and infrastructural development policies that level the playing field for smaller operators and raise the skills of the poor.

Improving the asset bases of the rural poor is crucial. Improvements in infrastructure (the expansion of roads, transport and communication) lead to specialization and division of labour by rural households. It promotes a trade, marketing and distribution networks.

Education, health and financial services help facilitate access to small business in rural area. Some of the more subtle components (such as skills, lack of confidence and contacts failure) are some of the constraints to be addressed.

Social capital is important. Consideration should be given to ways to promote and utilise useful networks in the rural society. Informal financial institutions such as —Iqqub (traditional way of saving) schemes can fill the gap using social capital in the rural area. The schemes cater predominantly for small businesses that have little or no chance of securing finance from formal financial institutions such as banks.

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