The Pattern and Dynamics of Occupational Mobility and Entrepreneurship in Rural Settings: Experiences from Haramaya District, Oromia Region, Ethiopia

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Article History: Received: April 6, 2022; Accepted: July 6, 2023; Published: December 10, 2023

Abstract: This study explored the pattern, paths and drivers of occupational mobility dynamics and rural entrepreneurship based on the data obtained from Haramaya district in Eastern Ethiopia. The research is undertaken on the basis of sequential explanatory strategy of mixed methods research. The quantitative data were obtained from a survey of 381 rural households, and qualitative data were gathered from a total of 13 entrepreneurs and 11 key stakeholders through in-depth interviews (IDI), key informant interviews (KII), focus group discussions (FGD) and observations. The gathered data were analyzed through descriptive statistics and hybrid thematic analysis techniques. The finding of the research showed that rural entrepreneurship is a growing phenomenon dominantly characterized by business diversification, inter and intra-sector labor mobility, and value-centeredness rather than specialization, intensification and consumption-centeredness. The labor mobility dynamics are primarily shaped by necessity-pushes caused by natural calamities, lack of job opportunity and failure or insufficiency of the previous job to meet basic needs of households. It is also influenced by some opportunities such as rise in demand, proximity to towns and price differences on a temporal and spatial basis. Institutional factors that include land access policy, incompatibility of financial services with the religious values and the bureaucracy are identified to be the major bottlenecks of rural entrepreneurship. Therefore, the government and other development actors are advised to improve their policies; modus operandi and bureaucratic attributes; and raise awareness of the community about diverse land and financial access modalities.

Keywords: Entrepreneurial dynamics; Nonfarm activities; Occupational mobility; Rural entrepreneurship

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ISSN: 2521-2192 (print), 2959-149X (electronic)

1. Introduction

Rural entrepreneurship is getting an increasing attention from rural dwellers and different development actors as one of the key instruments that generates employment in rural areas with low capital cost, raises real income, reduces out-migration of the working force and harnesses innovation (Newbery, Siwale, and Henley, 2017; Kushalakshi and Raghurama, 2014). Similarly, rural households in Ethiopia in general (Freeman, 2012) and Haramaya district in particular (Teshome, Bayisa and Keno, 2015) have started looking beyond dependence on traditional and subsistence based farming. There is an observable change in the types of products and technologies used by some of the farmers. The highest share (36.5%) of the household income is generated from market-oriented production of *Khat* followed by vegetables, sorghum, maize and haricot beans (Abebe, Haji, and Ketema, 2014). Non-farm businesses and off-farm activities are also growing as an additional livelihood and business undertakings in the area (Teshome *et al*., 2015).

Rural entrepreneurship has also become an eye-catching issue for different academic disciplines, such as development studies, economics, sociology, management and psychology since 1980s (Pato and Teixeira, 2016). But the way the disciplines and scholars define and approach rural entrepreneurship are divergent. The definitions range from narrow scope, which focuses only on rural industries (Boohene and Agyapong, 2017; Kushalakshi and Raghurama, 2014) to wide-ranged ones which include involvement in any income generating activities with excellence (Casson, 2010). Besides, for some scholars, it refers to transitioning from farming as a livelihood to farming as a business (Dias, Rodrigues and Ferreira, 2019; Naminse and Zhuang, 2018), whereas for others, it is a means of owning nonfarm business in rural areas (Nagler and Naudé, 2017; Ayambila, 2014).

Bosworth (2012) defines rural entrepreneurship from the enterprise perspectives as firms' that are located in rural areas, selling rural products and serving rural customers. On the other hand, rural entrepreneurs are described in the actors/doers' perspective, as farmers producing the larger share of their agricultural products for market (Kahan, 2013) and persons that are self-employed in nonfarm businesses (Nagler and Naudé 2014). This research takes the mix of both categories and rural entrepreneurship is defined here as entrepreneurial involvement of rural dwellers in rural businesses (both farm and nonfarm). To further operationalize, it refers to running one's own nonfarm business and/or undertaking agricultural activities in an innovative and market-oriented way.

Entrepreneurship is generally a dynamic process (Kuratko and Morris, 2015), and it manifests different sorts of changes in a broad range of business activities (Brünjes, 2012). But the dynamics of entrepreneurship is an under-explored and young subject in the academic and research arena. In fact, few studies have analyzed some facets of entrepreneurial dynamics. One among them is a study conducted by Congregado, Golpe, and Parker (2012) who analyzed the macro-dynamics of entrepreneurship in Spain and the USA with the aim of checking hysteresis and policy influences. Their study underscores that policies play an important role in shaping the entrepreneurial hysteresis. On the other hand Braunerhjelm, Desai and Eklund (2015) assessed the relationship between the economic regulation (legal/policy) and firm dynamics in entrepreneurship based on review of literature. Wangwe and Mmari (2013) also examined the transition of entrepreneurial operation from informal to formal modes. But, the majority of previous studies discussed some aspects of the dynamics in conventional entrepreneurship with macro-level analysis in the developed countries (Braunerhjelm *et al.*, 2015; Congregado *et al.*, 2012). The room given for rural entrepreneurship in developing countries and field-based data is negligible in this regard.

This study, therefore, endeavors to bridge the aforementioned gap and contribute to the body of knowledge by exploring the nature, paths and drivers of inter-sector and intra-sector occupational mobility in rural entrepreneurship in Haramaya district of Ethiopia.

Theoretical Underpinnings

The theoretical foundation for this research is based on the Agrarians Labor Reallocation Theory (ALRT) of Hymer and Resnick (1969). The theory identifies three major areas of labor engagement

namely, agriculture, non-agricultural jobs and leisure activities (Hymer and Resnick, 1969). Accordingly, surplus labor, after the attainment of households' food needs, join the nonfarm sector in different forms.

Ranis and Stewart (1993) add that the increase of rural labor in the nonfarm sector is supported by the growth of technology in farm and nonfarm sectors and increased productivity following the integration of rural areas into the world's economy. The involvement of surplus agricultural labor into the nonfarm sector in turn contributes for the overall betterment of rural households (Hoang, Pham and Ulubaşoğlu, 2014).

ALRT assumes that the rural sectors produce two products, denoted as **Z** and **F**, in their non-leisure labor activities. The letter **Z** stands for varieties of products of non-agricultural activities the rural areas such as weaving, metal working, processing food, pottery, etc. whereas **F** represents agricultural/food products mathematically represented in the possibility production curve as $\boldsymbol{F = f(Z)}$

Hymer and Resnick (1969) stresses that rural life is not limited to consuming or selling rural products. They also sell **F** products to obtain manufactured goods **M** from urban areas or abroad. Then the consumption of the **M** is determined by the share of food produced **F** and consumed in the rural area **C** and the exchange rate between the **F** and **M,** represented by **P**.

$$\boldsymbol{M = P(F - C)}$$

Besides, the theory also shows the presence of bi-directional movement of rural labor from agriculture to nonfarm sector and vice versa. Those from nonfarm sector may join the agricultural labor when they are integrated with wider market to produce exportable food (Hymer and Resnick, 1969).

However, the theory overlooks the possibility of rural settings to import some un-manufactured food items and their possibility of hosting manufacturing companies and selling finished and semi-finished goods. In addition to this the theory explains the change from simple labor mobility between sectors and the production and consumption pattern of rural areas.

Occupational mobility is not merely about diversification or shifting livelihood activities. It is also associated with entrepreneurial development which shows change in traits, ownership and operational patterns, as well as intensity of operation (Nagler and Naude, 2014; Ayambila, 2014). Abbott, Murenzi and Musana (2012) assert that rural occupational mobility goes from working on a family farm to paid farm work and then to operating paid nonfarm work or owning nonfarm enterprise. Berhanu and Amdework (2011) also identified four measures taken by farmers in their entrepreneurial pursuits. These are productivity and scaling up production in farming; on-farm diversification; supplementary agricultural diversification; and nonfarm business.

Unlike the mainstream occupational choice theory which associates the choice with individual decision (Lucas, 1978), ALRT and the Agricultural Households models of Singh, Squire and Strauss (1986) emphasize the central role of households in making livelihood and business decisions.

Conceptual Framework

ALRT identifies different reasons for occupational mobility of labor. Ranis and Stewart (1993) describe the creation of surplus labor because of agricultural productivity and integration of rural areas into global markets as the major factors. On the other hand, Brünjes's (2012) framework shows that rural entrepreneurial and occupational engagement is determined by an interplay of need for livelihood diversification, the influence of economic geography and entrepreneurial pursuit. Accordingly, mobility towards entrepreneurship is shaped by the factors that could be manifested as necessity or opportunity factors. Besides, non- pecuniary factors such as failure to accept or adapt to sudden change in job, residence, or accustomed lifestyle also contribute to shift in occupation and entrepreneurship (Congregado *et al*., 2012).

Brünjes (2012) emphasizes the prevalence of uneven distribution of economic activities from one village to the other. The nature of relationship between rural settings and the neighboring urban areas

has a high propensity of determining business development in the villages (Pato and Teixeira, 2016). Nearby towns dominantly serve as markets for rural agricultural products, and they also serve the villages as the immediate channels to get finished goods and agricultural tools that would enhance rural businesses. The livelihood and economic geography are supported or hindered by the nature of mediators that shape the nature of occupational mobility and entrepreneurship. The mediators could be individual (skills), institutional (policies and laws) or communal (resources) factors. Farmers' skill is a very important element that enhances the decision about the modality of entrepreneurial undertakings. It requires different skills from the farmers' side to move from conventional farming to farm diversification and other businesses (Dias, *et al*., 2019).

Local resources also serve as the important stepping stones in undertaking any entrepreneurial pursuits. Rural entrepreneurship is an outcome of encounters between rural entrepreneurs and locally accessible resources (Bosworth, 2012). The resources could be physical, financial, natural or social capital in nature. On top of these, policies and laws are keys that shape the relationship between different economic components and the mode of operating entrepreneurial activities (Braunerhjelm *et al*., 2015; Fortunato, 2014). Several studies have stressed the importance of policies and laws to support and guide rural entrepreneurship (Pato and Teixeira, 2016).

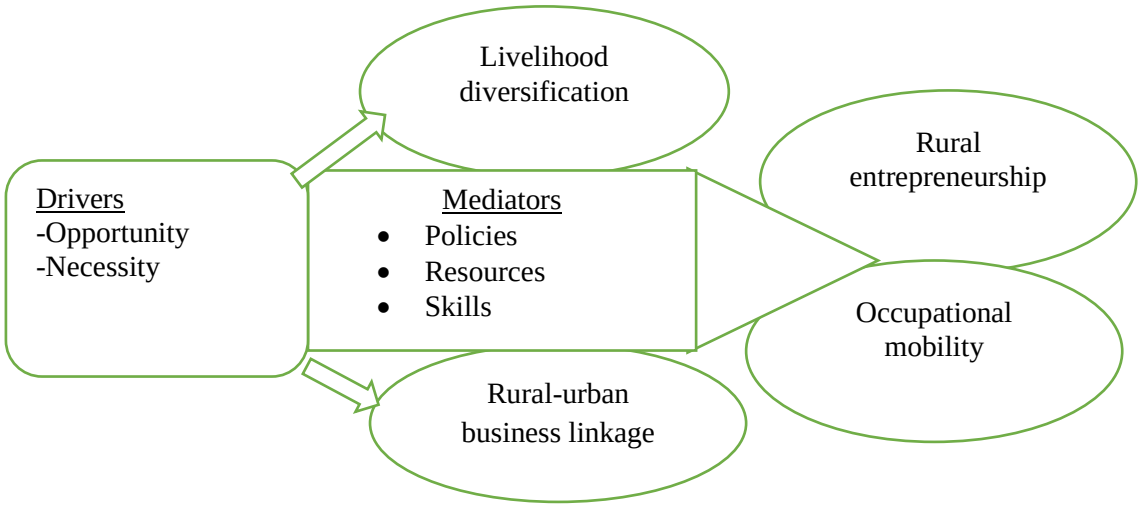

Figure 1. Conceptual framework
Source: Adapted from Brünjes (2012) and modified

2. Research Methods

2.1. Research area Description

The data for this research were gathered from Haramaya district (*woreda*) located in Eastern Ethiopia at 497 kilometers east of the national capital Addis Ababa. The district has two agro-climatic zones, (66.66% is Midland and 33.33% is Lowland) (Nuru and Mhatebu, 2017). According to 2007 national census, the district has a total population of 271,394 of which 138,376 are men and 133,018 are women; and about 220,408 (81.2%) are rural residents and the rest 50,986 (18.8%) are urban dwellers.

The district is well-known for mixed agriculture, especially *Khat* and vegetable production and beef farming as well as production of sorghum and maize (Nuru and Mhatebu, 2017; Abebe *et al*., 2014). *Khat* takes the highest share (36.5%) in generating households' income (Abebe, *et al*., 2014) and Petty trade, craft works and daily labor are also part of the livelihood activities in the district (Teshome *et al*., 2015).

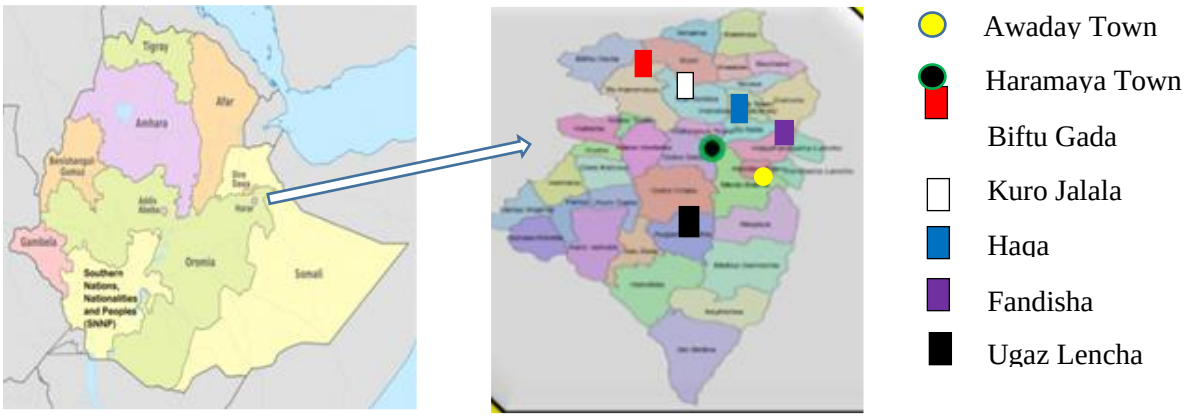

Fig 2. Location and Administrative Map of Haramaya District
Source: www.mdpi.com and Haramaya District Health Office

2.2. Sampling Technique and Sample Size

Both random and non-random sampling techniques were used with sequential explanatory strategy of mixed research design (Creswell, 2014). The quantitative data were gathered, and then the qualitative ones followed after preliminary analysis on the former one. The qualitative ones were used to augment the quantitative data and to elaborate the elements and perspectives that could not be fully addressed by the quantitative ones. The unit of analysis for the research is households. This is because over 90 of the entrepreneurial holdings in Africa are household enterprises (Fox and Sohnesson, 2012).

To take sample respondents for the quantitative data, the researchers used the sample size determination formula set by Krejcie and Morgan (1970). The formula is presented as

$$S = \frac{\chi^2 NP(1-P)}{d^2(N-1)+\chi^2 P(1-P)}$$

Where: S = the sample size, $\mathbf{X^2}$ = the table value of chi-square for 1 degree of freedom at the desired confidence level which is the squire of 1.96 (3.841) **N** = the total target population (44,644[1]). **P** = the population proportion assumed to be 0.50 (since this, according to Krejcie and Morgan (1970) would provide the maximum sample size). **d** = the degree of accuracy expressed as a proportion (0.05).

$$S = \frac{1.96^2\, x44644x0.5(1-0.5)}{0.05^2\,(44644-1)+1.96^2\, x0.5(1-0.5)}, \quad S = \frac{3.841x44644x0.5(0.5)}{0.0025(44643)+3.841x0.5(0.5)}, \; S = 380.83$$

Accordingly, the sample size becomes 381. As far as the sampling techniques are concerned, generally, multistage sampling was employed. In the first stage, Haramaya district was taken as the research target because of its aforementioned locational and societal potentials for entrepreneurship, and the fact that it is less studied. On the second stage, the 33 rural sub-districts (*kebeles*) were stratified based on their ecological zones as lowland (11) and midland (22) sub-districts (Haramaya District Administration Office [HDAO], 2019). 5 *sub-districts* (i.e. Haqaa and Ugaz Lencha, from the lowland as well as Kurroo-Jaalaalaa, Fandishaa-Leenchaa, and Biiftuu-Gadaa, from the midland were selected using proportional and lottery methods.

[1] Official report found from district administration office (unpublished) shows that the district has a total of 44,644 households in 35 sub-districts out of which 33 sub-districts are classified as rural.

The number of sample households from each sample sub-districts were identified using the formulae

$$ns = n(\frac{Ns}{N})$$

Where **ns** refers to sample size of households from *sub-district*; **N** stands for total Household of the district; **Ns** implies total household of the *sub-district;* and **n** is total sample (at district level).

Finally, the respondent households were selected through a simple random sampling method (i.e. roll number-based lottery) using the household list from administration offices of each *sub-district.*

Table 1. The sample from each sub-district

Sub-district	Distance from towns (in KMs)				
	From Awaday	From Haramaya	Total Households	Sample households	Percentage
Kurro Jalala	23	13	2580	128	33.6
Biftu Gada	26	16	2177	108	28.35
Fandisha Lencha	2	12	1168	58	15.22
Haqa	2	14	927	46	12.07
Ugaz Lencha	20	25	826	41	10.76
Total			7678	381	100

Source: Based on HDAO (2019)

2.3. Data Collection

Survey questionnaire, made of close-ended items, was developed in English and translated into the local language (Afan Oromo) for convenience. The data, using 381 copies of the survey questionnaire, were gathered by hired enumerators that were trained and directly supervised by the researchers. The qualitative data were gathered through key informant and in-depth interviews, focus group discussions and observation. Interview guides were prepared, and the researchers personally interviewed 6 rural entrepreneurs and 11 stakeholders as key informants and in-depth interviewees. Besides, FGD with 7 rural entrepreneurs was undertaken with the help of colleagues from Haramaya University. The respondents for the qualitative data were agripreneurs, nonfarm entrepreneurs; stakeholders such as extension workers, *afosha* leader, youth group leader and female group leader; as well as officers from Haramaya University Research office, Oromia Saving and Credit Association, farmers' union, Micro and Small Enterprises Development office (later named as job creation and food security office), Trade and Industry, Administration office and HABP-project (an NGO). They were identified based on judgmental and availability sampling with the help of Haramaya District Microenterprise Development Office; and extension workers. Field observation also served as an important data gathering instrument. The interviews and the FGDs were recorded and captured in notebooks (as field notes).

2.4. Data Analysis

Since this research is a mixed methods research and the qualitative and quantitative data are required to augment each other and mutually explain the phenomena under study, hybrid thematic analysis was used for analysis. The technique entails both inductive and deductive approaches (i.e. data-driven theme creation and analysis of data based on priori set templates), and it is helpful for mixed application of descriptive and interpretive research (Fereday and Muir-Cochrane, 2006). In doing so, the researchers employed Braun and Clarke's (2006) thematic analysis steps, i.e., familiarization with data; generating initial codes; identifying, reviewing, and naming the themes; and writing up the presentation.

The interviews and FGD recorded were transcribed, translated to English, color-coded on Microsoft Word and different themes were identified. Then, the identified themes were squeezed into four as the

sectors and economic activities operated by rural entrepreneurs, the pattern of their income diversification and occupational mobility, the drivers and paths of the mobility and the nature of rural-urban business and market linkage. Descriptive statistics was used to analyze the quantitative data with the help of Stata version-14 software.

Finally, the research results were presented in text, tables and figures in the way both the quantitative and the qualitative data augment each other in explaining the study subject.

3. Results

3.1. Respondents' Profile

The quantitative data were collected from 381 respondents who are residents of five sub-districts as shown in Table 2. About 33.6% of the respondents are residents of Kurro Jalala sub-district followed by 28.35% from Biftu Gada. The rest 15.22%, 12.07% and 10.76% are residents of Fandisha Lencha, Haqa and Ugaz Lencha, respectively. Around 85.3% of the respondents are male, and 97.4% of them are Muslims. Regarding marital status, 78.7% are married, whereas the rest 8.1%, 7.9% and 5.2% are single, divorced and widowed respectively. As far as literacy is concerned, 43.57% have not attended any school, whereas 29.4% have attended primary school. The 17.32%, 5.5%, 3.7% and 0.5% have attended secondary school, and earned certificate/diploma, bachelor's degree and master's degree respectively.

Among the sub-districts, Ugaz Lencha and Kuro Jalala have gotten the highest share of male respondents (90.2% and 89.8%), whereas Biftu-Gada is somehow multi-religious, and Fandisha Lencha is a solely Muslim population. Concerning level of education, Biftu Gada have some respondents from all levels, whereas Fandisha lencha and Kuro Jalala have the highest (56.9%) and the lowest (26.6%) share of non-educated respondents.

About 24.4%, out of the total 381 households, are rural entrepreneurs, whereas the remaining 75.6% are non-entrepreneurs. Kuro Jalala and Ugaz lencha are sub-districts with the highest (32%) and lowest (7.3%) share of rural entrepreneurs. This could be associated with the proximity of Kuro Jalala to a water catchment around Lake Adele and Lake Haramaya (which helps for cash crops and vegetable production) and Ugaz Lencha's location in dry lowland.

Table 2. Profile of survey respondents

Variable	Category	B. Gada	F. Lencha	Haqa	K. Jalala	U. Lencha	Total	
		N	N	N	N	N	N	%
Sex	Female	23	7	9	13	4	56	14.7
	Male	85	51	37	115	37	325	85.3
	Total	108	58	46	128	41	381	100
Marital Status	Single	11	0	2	11	7	31	8.1
	Married	94	54	39	84	29	300	78.7
	Divorced	1	2	2	22	3	30	7.9
	Widowed	2	2	3	11	2	20	5.2
	Total	108	58	46	128	41	381	100
Religion	Muslim	105	58	44	124	40	371	97.4
	Orthodox C.	1	0	2	4	1	8	2.1
	Protestants	2	0	0	0	0	2	0.5
	Total	108	58	46	128	41	381	100
Level of education	No schooling	54	33	29	34	16	166	43.6
	Primary	30	11	9	53	9	112	29.4
	Secondary	14	10	4	31	7	66	17.3
	Diploma	4	3	2	5	7	21	5.5
	Bachelor	4	1	2	5	2	14	3.7
	Masters	2	0	0	0	0	2	0.5
	Total	108	58	46	128	41	381	100
Participation in entrepreneurship	Non-entrepreneur	85	41	37	87	38	288	75.6
	Entrepreneurs	23	17	9	41	3	93	24.4
	Total	108	58	46	128	41	381	100

Source: Survey result, 2021

As far as the respondents of the qualitative data (KII and FGD) are concerned, a total of 24 respondents participated as indicated in Table 3. Out of those respondents, 58.3% are male and majority, i.e. 45.83% and 33.3% are educated to secondary and diploma level. Coming to their general occupation, 29.17% are farmers, and 37.5% are involved in nonfarm business, and the remaining 33.33% are employees in government offices, nongovernmental organizations or private companies. 54.17% of them are taken as respondents because they are rural entrepreneurs, whereas 45.83% have participated as key stakeholders. Kuro-Jalala is better-off in terms of the share of female respondents and unsurprisingly Haramaya town is very good in terms of the share of educated respondents because all of the respondents are officials from different governmental and non-governmental offices. Occupationally, Fendisha Lencha and Haqa have the highest share of farmers and nonfarm entrepreneurs respectively (66.7% each).

Table 3. Respondents of Qualitative Data

Variable	Categories	B. Gada	F Lencha	Haqa	K. Jalala	U. Lencha	Haramaya town	Total	
								N	%
Sex	Male	3	2	2	2	1	4	14	58.3
	Female	1	1	1	3	1	3	10	41.7
	Total	4	3	3	5	2	7	24	100
Level of education	Primary education	1	0	1	1	1	0	4	16.7
	Secondary education	1	3	1	2	1	3	11	45.8
	Certificate and Diploma	2	0	1	2	0	3	8	33.3
	Bachelor degree & above	0	0	0	0	0	1	1	4.2
	Total	4	3	3	5	2	7	24	100
Occupation	Farmer	2	2	1	1	1	0	7	29.2
	Nonfarm business	2	1	2	3	1	0	9	37.5
	Employee of gov't/NGO	0	0	0	1	0	7	8	33.3
	Total	4	3	3	5	2	7	24	100
Role as respondents	Rural entrepreneur	3	2	2	4	2	0	13	54.2
	Stakeholders	1	1	1	1	0	7	11	45.8
	Total	4	3	3	5	2	7	24	100

Source: KII and FGD

3.2. Rural Entrepreneurship and the Economic Sectors

Agriculture is the major economic activity that characterizes rural areas of Haramaya. However, some households are found changing their work from agriculture as a livelihood to agriculture as a business and some other households are running nonfarm enterprises. Entrepreneurship has become an integral part of the life of nearly a quarter of rural residents. As indicated in Table 2 above, out of the 381 sample households, 93 (24.4%) fall in the definition of rural entrepreneurs. Out of the 93 rural entrepreneurs, 35 (37.63%) are agricultural entrepreneurs (agripreneurs), and 47 (50.54%) are nonfarm entrepreneurs, whereas the rest 11(11.83%) are portfolio rural entrepreneurs that fit in the definition of entrepreneurship in both sectors[2]. From amongst the sub-districts, Kuro Jalala has the highest number of agripreneur households (29 out of 46), and Fandisha Lencha has the highest number of nonfarm entrepreneurs (16 out of 58). The fact that Haqa is located immediately next to Awaday town (the largest market and export center for *khat*) is the major possible reason behind this (see Figure 2).

Only few rural entrepreneurs specialize in specific types of entrepreneurial work. Great majority of them expand and diversify their businesses to meet the market demand and to hasten their economic growth. In this token, 52.2% of the agripreneurs work on a mix of two or more agricultural businesses (such as crop and vegetable, poultry dairy and beef farming). Agripreneurs that emphasize only on crop and vegetable production are 43.5%, and the rest 2.2% each depends on dairy and beef farming.

[2] Portfolio rural entrepreneurs, in this research, are different from entrepreneurs that run more than one venture for the sake of diversification of their livelihood. Rather it refers to entrepreneurs who are involved in both farm and nonfarm sectors with full scale and clear entrepreneurial attributes.

Retail shop and petty trade are the most common businesses run by 37.9% and 22.4% nonfarm entrepreneurs respectively. The other 13.79% own grinding mills and 19% own two or more nonfarm enterprises. In addition to this, a total of 41 out of the 58 nonfarm entrepreneurs have been engaged in agricultural activities to support their domestic consumption. Around 68.3% of them produce crops and vegetables and 31.7% have been engaged in two or more agricultural activities. Kuro Jalala has the highest share of entrepreneurs running a mix of many business activities in both sectors.

The finding of this research is in support of the works of Aikaeli, Chegere and Rand (2023) and Hennon (2012) that associates rural entrepreneurship with diversification, multi occupation, and portfolio of activities. But, rural entrepreneurs have dominantly been operating in agriculture and trade. On the other hand, the involvement in manufacturing activities is extremely rare in rural areas of Haramaya as opposed to Fox and Sohnesson's (2012) work that states manufacturing (processing agricultural products) to be the common entrepreneurial activity in rural areas. The agro-processing enterprises in the district are way less than the Sub-Saharan average which, according to Nagler and Naudé (2014), is between 20% to 30%.

Table 4. Business activities of rural entrepreneurs

Variable	Category	B. Gada	F. Lencha	Haqa	K. Jalala	U. Lencha	Total	
							N	%
Agricultural business	Crop and vegetable	6	4	0	8	2	20	43.5
	Dairy Farming	0	1	0	0	0	1	2.2
	Beef farming	0	0	1	0	0	1	2.2
	Mix of two or more	0	0	1	21	2	24	52.2
	Total	6	5	2	29	4	46	100
Nonfarm activities	Petty trade	4	6	1	0	2	13	22.4
	Grinding mill	3	3	1	2	0	9	15.5
	Retail shop	5	7	3	5	2	22	37.9
	Tailor	1	0	0	1	0	2	3.4
	Coffee/breakfast	0	0	0	1	0	1	1.7
	Mix of two or more	2	0	5	4	0	11	19
	Total	15	16	10	13	4	58	100
Agricultural activities run by nonfarm entrepreneurs	Crop and vegetable	10	1	11	1	5	28	68.3
	Mix of two or more	5	0	0	6	2	13	31.7
	Total	15	1	11	7	7	41	100
Nonfarm enterprises owned by Agripreneurs	Grinding mill	0	3	0	1	0	4	36.4
	Retail shop	0	2	0	2	0	4	36.4
	Mix of two	0	0	2	1	0	3	27.2
	Total	0	5	2	4	0	11	100

Source: Survey result, 2021

Several previous studies have dealt with the age of entrepreneurs leaving narrow room to analyzing the age and temporal aspect of the enterprises. Meera's (2017) study in Rural Banglore, in India, shows that middle age entrepreneurs are the dominant age group in the rural entrepreneurial settings. This is in line with the case of Haramaya where the average age of the entrepreneurs is 35.6 years. On the other hand, it contradicts with the findings of Alkaeli *et al.* (2023) in Tanzania that asserts the

youth to be dominant in rural entrepreneurship. Coming to the age of business ventures in the farm and nonfarm sectors, agriculture as a business is much younger than the nonfarm business with the maximum age of 23 and 41 years respectively as shown in Table 5. Even though agriculture as a livelihood is an old phenomenon, its emergence in the sense of entrepreneurial pursuit is somehow a recent development.

Table 5. Age of the Entrepreneurs and ventures

Variables	Categories	Obs.	Mean	Std. Dev.	Min	Max
All	Age	381	35.87927	8.890925	18	75
respondents	Years of owning the livelihood base	256	18.84375	8.232825	1	52
Entrepreneurs	Age	93	35.63441	7.354066	18	57
Age of	All enterprises	90	11.56667	7.74894	1	41
enterprises	Agricultural enterprises	44	11.72727	5.521053	2	23
	Nonfarm business	46	11.41304	9.464732	1	41

Source: Survey result, 2021

3.3. Drivers

Diversification and sectoral dynamics in rural entrepreneurship are shaped by different factors. 58 nonfarm entrepreneurs were asked about the reason behind their starting nonfarm business leaving farming activities. Here, the result shows that around 60.3% are driven by necessities, such as lack of job and failure in the previous job. The remaining 39.7% are opportunity-driven entrepreneurs who started the business because they wanted to do something new, utilize new opportunity and become one's own boss. Ugaz-Lencha sub-district has the highest percentage of necessity entrepreneurs derived by lack of job whereas Fendisha Lencha has the highest percentage of opportunity entrepreneurs motivated by their interest of doing something new as shown in figure 3. This also could be associated with the location of Fendisha Lencha closer to and Ugaz Lencha situation far from Awaday town which hosts a wide range of opportunities for nonfarm business. This strengthens the work of Shehu and Abubakar (2015) and Blanchard (2013) which indicates that rural entrepreneurial undertakings exhibit different characteristics based on their location.

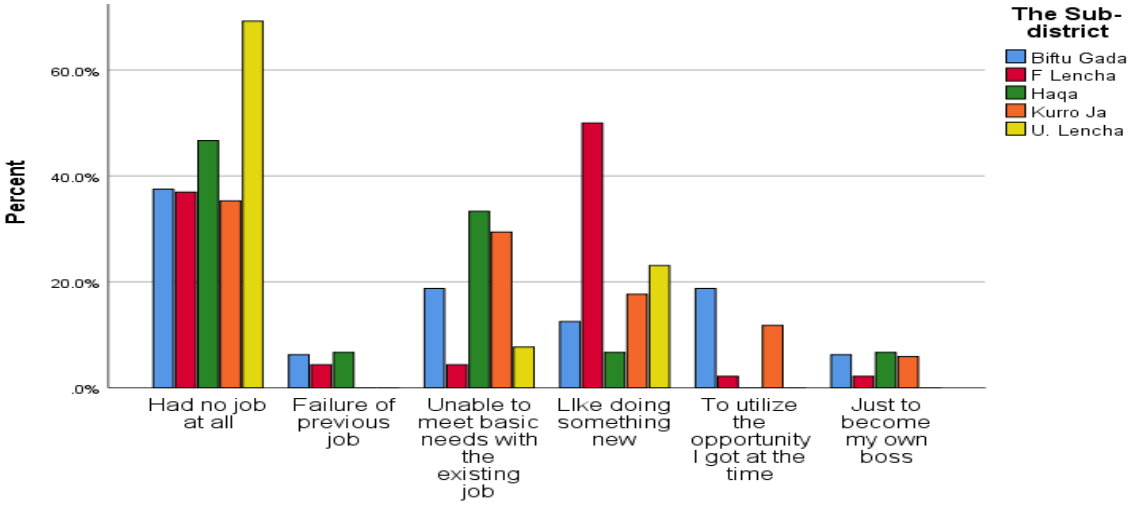

Figure 3: Motives behind rural entrepreneurship
Source: Survey result, 2021

Besides, different opportunity and necessity factors are discussed hereunder. Opportunities such as a rise in food demand, technological advancements, or access to better resource bases (due to regeneration of Haramaya Lakes) and knowledge lead them to start entrepreneurial activities.

Increasing demand for agricultural products in nearby towns and neighboring countries has served as an important source of motivation for agripreneurs. Except for *khat*, sorghum and maize, most crops, vegetables and fruits are brought to Haramaya and surrounding cities from far places up to 1100 KM (Shashamene, Jimma and Arbaminch towns). Hence, some households decided to utilize the opportunity (Supply-demand gap) to change their consumption-based production to market-oriented production. Above all, the rise in the demand for *khat* and vegetables in local markets and as export-items have made a great share of the farmers to focus on *khat* and vegetables production. Most of the entrepreneurs produce high-value items for sale and prefer buying less-priced food items from the market. Hence, they depend on imported food items (such as rice) and items brought from the other parts of the country (like bananas) for their consumption.

Very recently, some farm-enhancing nonfarm activities, such as renting motor pumps and selling out well-water, are emerging as the pathways between agripreneurship and nonfarm entrepreneurship. Initially, agripreneurs buy motor-pumps and dig water-wells to irrigate their farms. After irrigating their own farm, they rent the motor-pump and sell the water in the well for other farmers. The nonfarm entrepreneurs also buy motor-pumps just for the sake of renting for farmers.

Table 6. Motives behind rural entrepreneurship

	Necessity	Opportunity
Agri-preneurship	# Raise in household food demand (FGD) # Lack of paid jobs (FGD) # Failure in previous job (KII/5.9%) # Shortage/absence of household's farmland (KII/17.6% and FGD)	# Boom in market food demand (KII/11.8% and FGD) #Agricultural productivity supports (FGD) # Agricultural business trainings by Haramaya University and extension workers (FGD and KII/17.6%) # Access new/additional land (inheritance or provision by government) (KII/5.9%)
Nonfarm Entrepreneurship	# Lack of job (37.9%) # Small capital (FGD) # Failure in previous job/farm (5.2%)	# Raise in rural demand for consuming industrial products (FGD and KII/64.7%) # Demand for agricultural technology, tools and chemicals # Price difference of goods from place to place (for trade) (KII/11.8%) # Excess products in rural area (for agro processing or cottage industry) (KII/5.9%) # Rural Business Fund (loan or subsidy) (FGD) # Demand for better houses and facilities induced by rural economic growth (FGD)

Source: Survey, KII and FGD, 2021

The FGD discussants elaborated that necessity-driven mobility, the desire to expand income sources in order to supply their continuously increasing household size, and the need to utilize the surplus labor are the major motives that lead to diversification in the rural area. Members of farmer households move to off-farm employment on a seasonal and permanent basis mostly because of factors like mismatch between the households' food demand and supply, insufficient income from one's own farm work, or failure in farms due to calamities.

Generally, larger body of previous studies have indicated the dominance of the male or male headed households in the entrepreneurial works (Loening, Rijerks and Soderbom, 2008; Ellis, 2000). However, the findings are in congruity to most recent studies which show that more female entrepreneurs are found in rural nonfarm sectors in Devanahally, India (Meera, 2017), Tanzania (Alkaeli *et al*., 2023) and Ghana (Ayambila, 2014). In these studies, the dominance of women in this sector are associated to spatial proximity to urban areas, that makes men to leave the rural petty trade and engage in urban employment and business; and the vulnerability of women to different shocks

that pushes them to operate less-lucrative nonfarm businesses (Alkaeli *et al*., 2023; Luc and Lionel, 2018; Meera, 2017).

In Haramaya district, men are dominant in owning the rural ventures (i.e., 85.7% of the agricultural and 83.6% of the nonfarm enterprises). On the other hand, petty trades and retail shops are dominantly managed by the female, whereas the men are responsible for the business activities that mostly necessitate mechanical skills, such as farming; operating transport vehicles, the grinding mills and water-pump machines, etc.

In majority of the businesses in Haramaya district, (98.9%) employees are family members and relatives for less or literally no payment. Household members are employed in nonfarm activities owned by relatives with three major motives, (1) covering households' basic needs expenses; (2) grasping skills and experience for their future business, and (3) making money that would help as a start-up capital. This supports the study of Meera (2017) in India and the macro-analysis of Nagler and Naudé (2014) in the Sub-Saharan Africa. Accordingly, rural entrepreneurship has less contribution for wage employment since great majority of the owners do not employ outside their households.

Participation in contract labor activities also serves as an important step towards entrepreneurship. This is better exemplified in the business journey of a 32-year-old entrepreneur who resides in Kurro Jalala sub-district. He says,

> My business is the result of a stadium. I mean 7 years ago Haramaya University was constructing a big stadium. I engaged in labor work there in non-farming seasons for two years and saved the money I earned. I also sold some goats and an ox to add on the saved money and bought a *Bajaj* (tricycle) which I used to start a transportation business between our village and the town.

The result is in confirmation with the ideas of Alkaeli *et al.* (2023) and Abbot *et al.* (2012) that rural households whose needs could not be met by agriculture tend to look for off-farm wages, and then embark on nonfarm options.

The above statement also shows the importance of the combination between local resources (household assets) and exogenous opportunities for rural start-ups. In addition to this, traditional saving and mutual help networks, such as '*quubii'* and '*wodaaja'* serve as important sources of capital to generate capital for staring and/or expanding business. Several youths from farmer households have started nonfarm business (mostly transportation business and retail shops) using the money they generated through such systems. Women also use '*quubii'* in most cases to run petty-trade and informal cross-border trade. They use it to buy imported finished goods, such as clothes, electronic devices, packed food items, etc. from Somaliland to sell them in domestic markets. Then, they trade agricultural products from Ethiopia back to Somaliland.

These serve as the major forms of financial service for the rural entrepreneurs because their attachment to formal financial institutions (banks and Microfinance institutions) is negligible. As it is indicated in Table 7, only two persons (0.5%) from the whole respondents got loans from banks or microfinance institutions, i.e., one is an entrepreneur and the other is not. The entrepreneur was from Fandisha Lencha sub-district and the non-entrepreneur was from Biftu Gada. The former one borrowed a total of ETB 5000[3] to expand the existing business, whereas the latter one borrowed ETB 2000 for unmentioned reasons. This goes in support of Pato and Teixeira (2016) that underline the importance of social network in rural entrepreneurship as a source of support and information.

The studies of Alkaeli *et al.* (2023), Ayambila (2014) and Osei-Assibey (2010) show that rural entrepreneurs have poor access to banks and microfinance institutions. Hence, they use their household savings and borrowing from family/relatives as the major financial sources to set up and run their businesses. The major reason behind the poor access to financial services was long associated to non-existence of the formal financial institutions or credit markets (Abdulai and Crolerees, 2001). Whereas recent studies associate it with the weak culture of borrowing money (Alkaeli *et al*., 2023) and the restrictions of the formal institutions (Ayambila (2014). In the case of

[3] Around 150 USD based on the exchange rate of the borrowing time.

Haramaya, however, the major reason for not getting loans from financial institutions is a religious reason. About 35 (37.6%) entrepreneurs reported that they did not want to borrow money from banks or microfinance institutions because the mode of loan provision goes against their religious jurisprudence. Since around 97% of the entrepreneurs are Muslims, the incompatibility is mostly attached to interest-based loan provision, which is considered 'Haram' (a term meaning forbidden by Muslims). The second problem that hindered 22 (23.7%) entrepreneurs from getting the financial services is the complex bureaucracy of banks and microfinance institutions. The other 19(20.4 %) could not get it because of lack of assets for collateral. The other 3 (3.2 %) could not access financial institutions closer to their place of work or residence. The remaining 6 (6.5%) and 4 (4.3%) have failed to borrow because of the mix of the aforementioned reasons and other unspecified reasons, respectively.

In addition to this, the FGD participants stressed that the government and microfinance institutions give priority to urban SMEs, women and unemployed graduates during loan provision, whereas rural entrepreneurs are given less attention in this regard. On top of that, the loan provision mechanism is time consuming because the offices want the loan seekers to get organized in group of five and more persons, get support letters and clearances from different institutions (FGD).

Generally, the study goes in conformity with the works of Hennon (2012) that shows diversification as the major characteristics and necessity factors as the prominent drivers behind rural entrepreneurship. It also goes in line with the works by Abbot *et al*. (2012) which associates the occupational mobility from farm to nonfarm sectors with the quest to assure sustenance. Yet, it does not comply with Berhanu and Amdework (2011) whose research in Northern Ethiopia described that the occupational mobility starts from scaling up agricultural production followed by on-farm diversification, supplementary agricultural diversification, and goes to owning nonfarm business. Unlike their study that showed the prominence of opportunity-drivers in rural entrepreneurship, Haramaya district is dominantly derived by necessities.

Table 7. Access to financial services

Questions	Categories of responses	All **r**espondents		Entrepreneurs	
		Freq	%	Freq	%
Have you ever got loan from bank or Microfinance	No	253	66.4	89	95.7
	Yes	2	.5	1	1.07
	Missing	126	33.1	3	3.23
	Total	381	100.0	93	100
If you have not got loans from bank/microfinance, why?	Inaccessibility of Banks or MFIs nearby	16	4.2	3	3.23
	Banks/MFIs are too bureaucratic	47	12.3	22	23.66
	I have no collateral asset for collateral	54	14.2	19	20.43
	Its modality of loan provision is against my religious rule	120	31.5	35	37.63
	Mix of two or more reasons	6	1.7	6	6.45
	Other	11	2.9	4	4.3
	Missing	127	33.3	4	4.3
	Total	381	100	93	100.00

Source: Survey result, 2021

The other important entrepreneurial attribute that stems from necessity is the skill of converting challenges into opportunities. This is better exemplified in the measures taken by some rural entrepreneurs following the partial revival of Lake Haramaya in 2020 and the 2016 el-Niño in the Eastern and North Eastern parts of Ethiopia. The 'revival' of Lake Haramaya after 20 years of

extinction has resulted in damage of several farmlands and blockage of travel from some villages to Haramaya town and market. However, few youths with entrepreneurial pursuits have taken this as an opportunity to start a water transport business. They collected empty plastic water bottles and put them in grain sacks (locally called '*luqqa'*). 3 to 4 of such sacks are tied together to form boat-like floating materials (see figure 4). Then, they transport people and materials and are paid ETB 10 to 20. Later, they replaced the plastic bottles by wooden boats.

The second case is related to the 2016 el-Niño that caused the death of many livestock, food shortage and drying of plants. Selling out some of the livestock and slaughtering the others for food were widely used as the major coping mechanism at the time. As many animals were slaughtered and their skins were thrown away, the environment started smelling musty and has become polluted. Three friends in Ugaz Lencha sub-district discussed how to get rid of the problem and changed it into a business opportunity. They collected cattle skin and started producing '*gurboota'*, a container put on the back of a donkey to transport materials. This is a further elaboration for the models of Dias *et al*. (2019) and Bosworth (2012) that link rural entrepreneurial undertakings with farmers' special skills and the nature of local resources.

Figure 4. Boat made of plastic water bottles (right) and *gurbota* presented for sales (left)
Source: Photo captured by the authors (2021)

Even though many households move from farming to nonfarm activities, it is less likely for persons from nonfarm entrepreneurship background to start farming business such as vegetables and fruit production as new ventures. In fact, there are possibilities of starting agricultural activities that do not require farmland such as poultry and beef farming. This is because most of the farmlands in the district are already occupied and very scarce. In addition to this, they have less chance of owning new farmlands as Ethiopian law does not allow purchase and exchange of land. On top of that, renting-in and renting-out farmlands is not well-learned in the business culture of the community. This is well depicted in the statement of an entrepreneur who runs transportation businesses. He said,

> I know some types of crops that make the best profit if produced. No one is producing them around here. But the problem is I was not born here and I don't have farmland through inheritance. Since farmland is not sold and there is no culture of personally leasing out farmland, there is no way that I can change my ideas into reality. Finally, I told my friends who have farmlands to produce the crop I wanted to produce. But none of them are ready to do it. But I wonder why the government denies buying and selling farmland.

This result confirms the works of Shehu and Abubakar (2015) and Maertens (2009) which indicate that the access to and size of land rural households own or have access to sways the nature and sector of their entrepreneurial engagement. Maertens's (2009) study in Senegal shows that households that own no or lesser land are more likely to involve in wage and nonfarm works. Similarly, Shehu and Abubakar's (2015) study in Nigeria shows lack of a well-functioning land market as a hurdle for entrepreneurial development.

3.4. Market and Business Linkage with Urban Areas

Rural entrepreneurs have strong market tie with the neighboring urban areas. As it is shown in Table 8, 75% of the rural entrepreneurs get raw materials from and 60% of them sell their products to nearby towns. Kuro Jalala has the highest number of entrepreneurs, i.e., 32 and 27, getting their raw materials from and selling their products to nearby towns. Besides, only Kuro Jalala and Biftu Gada have gotten entrepreneurs (one person each) that vend their products directly in the national capital, Addis Ababa. Absence of rural weekly markets in the villages is one of the key reasons that made the entrepreneurs focus on urban markets. The neighboring towns also serve as bridges for local/rural products to export their products to neighboring countries (Somaliland and Djibouti) and the export activities are undertaken by urban merchants.

However, the urban areas and the merchants there do not always serve as facilitating agents. They sometimes appear as obstacles that hinder the rural entrepreneurs from meeting their target market and attaining their business goals. FGD participants stress that rural entrepreneurs have less access to customers from those neighboring countries and they have been denied, by the urban merchants, from doing so. But the case is different when it comes to rural entrepreneurs who have siblings that live in the towns and have been involved in cross-border trade. They get better access to customers from Somaliland and they get easy access to imported goods to be sold in rural markets.

The urban merchants are the prime price makers, and this limits the rural entrepreneurs to status of price-taker and victimhood. Thus, the agripreneurs take relocation of part of their household labor from rural agriculture in rural areas to nonfarm business in the towns. A 36 years old rural entrepreneur from Biftu Gada shared his experience as follows.

> Three years ago, I had produced potato in a large quantity. During the harvesting time a group of traders from Awaday town met me in the market and one of them asked me to harvest and collect potato in large quantities and he agreed to pay ETB 9 per kilogram. I harvested all of the potatoes from my farm and even bought some from other farmers. But, on the day he was supposed to come with a lorry and collect/transport the products, he told me that the market price of potato has reduced significantly and he would come only if I would sell it for ETB 4 per kilogram. That was really shocking and I decided to look for other merchants who would pay me better price. Yet, it seems that all of the merchants agreed to 'kill' the price. After some days I finally sold small portion of it for ETB 5.5 per kilogram whereas the large part of it had got spoiled already. I tell you, I couldn't fully recover economically from that shock till today. As of that day I told my younger brother to be at least '*kuulii'* (daily laborer) in the town so that he would grow to a big merchant in the future and help us in giving market information and advising us.

This supports of the work Pato and Teixeira (2016) and Young (2010) that stresses the importance of social network as a means of accessing distant market.

The nearby towns also serve as the major target places for the rural entrepreneurs to expand or shift their business. Opening small retail shops and tailor-shops, running transportation business and constructing rentable houses in the aforementioned towns are the major ways rural entrepreneurs of Haramaya district join the urban business environment (FGD). This also serves as a marker of business growth (achievement and expansion).

Table 8. Sources of raw materials and market

Variable	Category	B. Gada	F. Lencha	Haqa	K. Jalala	U. Lencha	Total	
							N	%
Raw material source	Villages	7	5	3	1	1	17	23.6
	Nearby towns	14	3	5	32	0	54	75
	National capital	1	0	0	0	0	1	1.4
	Total	22	8	8	33	1	72	100
Market for products	Villages	14	4	6	5	0	28	38.9
	Nearby towns	7	4	2	27	1	41	56.9
	National capital	1	0	0	1	0	2	2.8
	Total	22	8	8	33	1	72	100

Source: Survey result, 2021

3.5. Synthesis

The above discussions are depicted in summarized form in Figure-5 below. The figure shows that the occupational mobility dynamics of the entrepreneurs is built on three dichotomous pillars. The first one is driver pillar which is categorized in to two as necessity and opportunity. The second pillar is modus operandi which has a livelihood-business dichotomy. The third one is status pillar. It shows the position of the participants in the business categorized as employees and owners. The three pillars are built on foundations of sectors, i.e. farm and nonfarm activities.

The occupational mobility takes place from sector to sector and within one sector itself. The intra-sectoral occupational mobility is manifested by shift from agriculture as livelihood to agriculture as business; as well as from employment in nonfarm business to owning it. On the other hand, the mobility in most cases happens as a shift from farm as livelihood to participation in nonfarm or off-farm work just for the sake of diversifying household income sources. That is just occupational mobility not entrepreneurial mobility

The journey from farm to nonfarm works also takes place as an entrepreneurial mobility. Some 'successful' agripreneur households move a step ahead and start nonfarm enterprises to expand or shift their business from farm to nonfarm or from rural to urban area. Off-farm and nonfarm wage employment also serves as a bridge for non-entrepreneurial forms of occupational mobility.

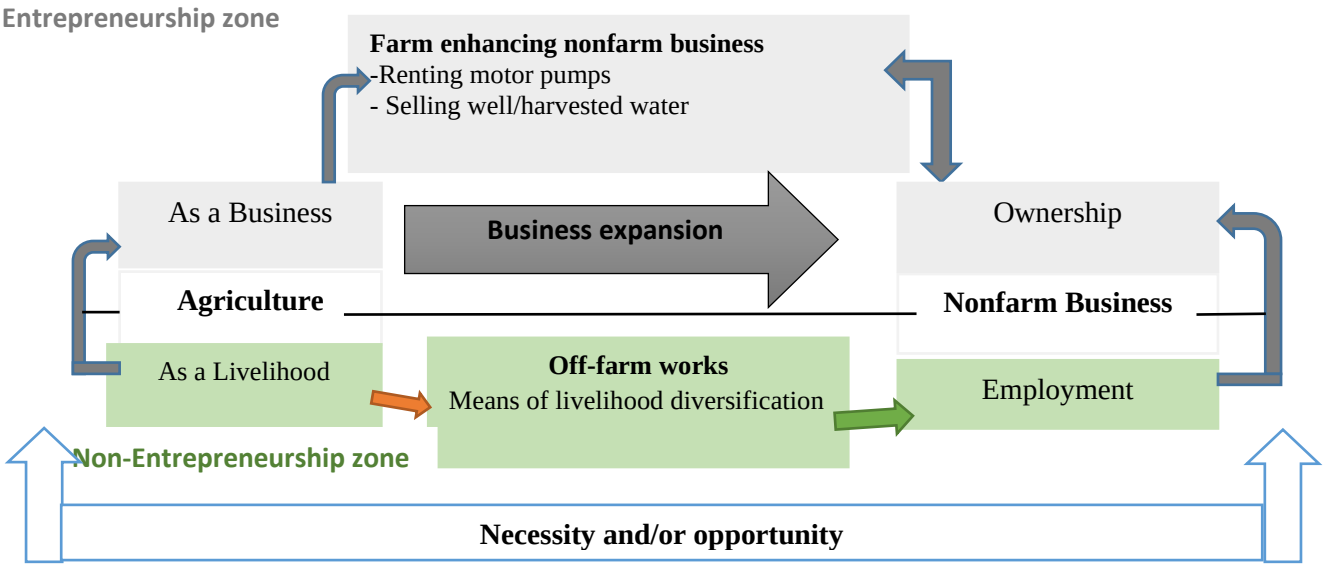

Figure 5: Dynamics of Rural Entrepreneurship
Source: Survey, KII and FGD, 2021

4. Conclusions and Recommendations

Recently, entrepreneurship is a trending phenomenon with a good number of rural households engaging in rural entrepreneurship. Their entrepreneurial engagement is characterized by business diversification rather than specialization or intensive operation. Besides, the entrepreneurs prioritize producing high-value items over basic consumption goods. The dynamic labor mobility manifested within one sector or between farm and nonfarm sectors is also related to the households' quest for business diversification.

The mobility dynamics are primarily shaped by necessity-push caused by natural calamities, lack of job opportunity and failure or insufficiency of the previous job to meet basic needs of households. It is also influenced by some opportunities like rise in demand, proximity to towns and price differences on a temporal and spatial basis. Proximity of the entrepreneurs' sub-districts to the towns also contributes to the difference in the nature of entrepreneurial motivation. In this token, motives and paths of occupation are also found to differ from context to context. Generally, the research findings

are in support of the Labor Re-Allocation Theory of Hymer and Resnick (1969) in showing that rural entrepreneurship manifests occupational mobility of household labor. However, it diverges from the theory in its explanation regarding the paths and reasons of labor mobility and entrepreneurial dynamics. On the other hand, problems associated with shortage of land, lack of access to financial services and absence of weekly village markets have remained the bottlenecks for entrepreneurial development and dynamics in the area.

Hence, it is vital to revisit the existing land and financial policies and modus operandi in the way they go in line with the sociocultural attributes of the community. Setting short, and clear bureaucratic procedures and creating awareness about diverse land and financial access modalities will also have a paramount importance to facilitate rural entrepreneurship. Finally, the research has endeavored to explore dynamics of rural entrepreneurship in terms of occupational mobility within and across sectors. Hence, wide-range of research is needed to build an advanced understanding of dimensions of entrepreneurial dynamics in different contexts.

5. Funding

This work was supported by Addis Ababa University Students' Research Fund (for data collection).

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