Abstract

Household –level panel data from a sample of 761 households in rural Kenya is used in this paper to examine factors behind livelihood diversification to nonfarm income activities. We found that; Kenya like any other country in Sub-Saharan Africa is experiencing gradual shift from traditional means of survival, deriving their livelihoods from agriculture to other non agricultural activities.

The results of this study provide an answer as to whether risk plays a key role in making diversification choices in rural households and also if poor households are more likely to diversify to non-farm activities compared to non poor counter parts. The results suggest that households engage in nonfarm activities to avoid future weather related shocks, however we were not able to establish if poor households are more diversified in comparison to rich ones. Households earn more from nonfarm income activities as the head grow old while land size and livestock had either little or no impact on diversification in rural Kenya. The estimates also indicate households with more ivestock in low potential areas and areas with low access to public transport are less kely to participate in nonfarm activities. Communities with higher maize harvests oncentrate more in agriculture as shown by negative relationship between mean strict maize output and nonfarm income share.

e study focused more on risk (rainfall shocks) as a key determinant of diversification, er factors like human capital, credit constraints and gender need also be included in future analysis to understand their role in diversification in Kenyan rural household.