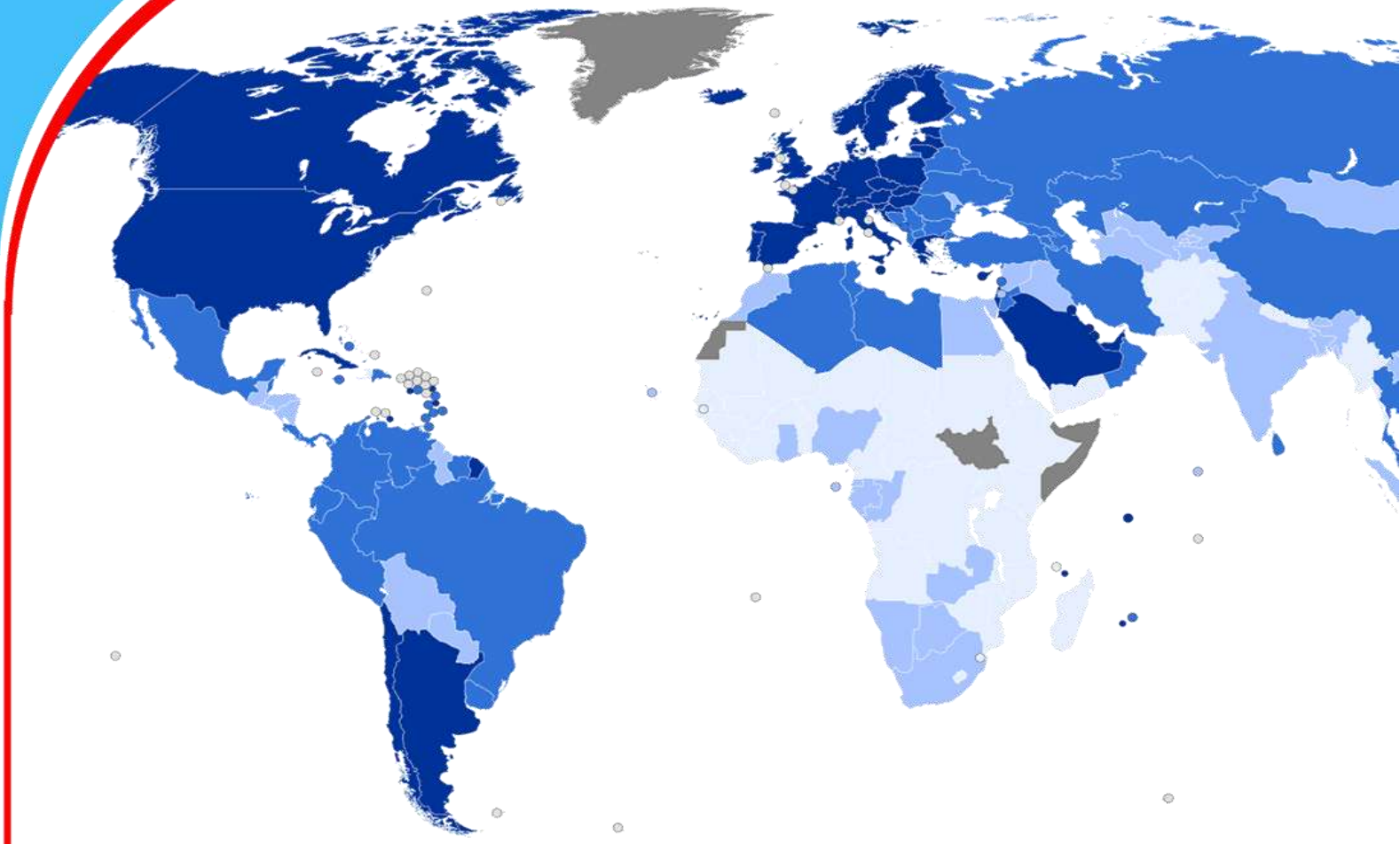
Journal of
Developing Economies
(JDE)



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Journal of Developing Economies
ISSN 4960-5720 (Online)
Vol.2, Issue 1 No.4, pp 43- 53, 2020
www.ajpojournals.org

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ABSTRACT

Purpose: Sources of income for daily survival has been an issue of a great concern to several households in developing economies in the world over, Kenya included. Households have continued to struggle and diversify means of living and make daily ends meet. Some economists attribute this phenomenon to high level of unemployment, low level of education, poor technology to meet the international labor market demands and poor governance interns of local job creation. The medium-term plan report covering the period 2008-2012 indicated that Mbita Division of Homa Bay County had numerous challenges for the households in their efforts to meet daily needs and experienced weak purchasing power despite the efforts and strategies initiated by both national and county governments to boost the household incomes. The purpose of this study was therefore to identify and document the main sources of income of households in Mbita Division

Methodology: The study adopted exploratory and correlation research designs. Exploratory research design gave an insight into the households' expenditure behavior while correlation research design facilitated the establishment of relationships among the research variables.

A sample size of 374 heads of households was selected from a total of 13,789 households in the Division. The individual respondents were drawn by the use of a simple random sampling technique. Primary data was gathered with the help of questionnaires, key informant interviews, focused group discussions, and observation, and Secondary data was collected from Government statistical abstracts, household records, and relevant textbooks. Regression as a tool of analysis was utilized to reveal the existing relationship among the variables and coefficient of determination to show the strength of the established model. The reliability of the data collection instrument was tested using the internal consistency technique in which the scores obtained from the subjects were correlated and the Cronbach's Coefficient Alpha was be computed to determine the correlation among the items.

Findings: The researcher established that fishing, peasant farming, charcoal burning and micro-business activities formed the backbone of the sources of income for the households in Mbita Division.

Key words: *Income, Consumption, Households, Risks, Poverty*

1.0 INTRODUCTION

1.1 Background of the study

Poverty reduction is often a key goal of economic development programming pursued by international development agencies, as well as national governments. This focus on poverty can be seen through international initiatives, such as the United Nation's Millennium Development Goals which aim to halve the proportion of the world's population suffering from extreme poverty (defined as earning less than $1/day) between the years 1990 and 2015.

While the world as a whole is on track to meet this goal, much of this success is due to drastic reductions in poverty levels in East Asia. Meanwhile, other regions of the world have seen only modest improvements. During the 1990-2005 time period, sub-Saharan Africa has only seen poverty levels drop from 58% to 51% of the population (United Nations, 2010 Due to limited successes in sub-Saharan Africa, researchers and policymakers have no option but to consider what types of household livelihood strategies and income activities have the greatest potential to serve as motors of economic growth, reducing poverty while improving income.

A better understanding of these parameters should contribute to improved economic development policies and programming in Africa. In particular, information on how livelihood strategies differ between poor and non-poor households, as well as information on whether certain income activities increase or decrease community inequality levels, can be useful to policymakers and international development agencies. Government agencies find information on household income sources useful in identifying potential vulnerabilities that may cause a household to fall into poverty or become food insecure.

Households that earn income solely from rained crop agriculture may be more vulnerable to droughts than households with a more diversified income portfolio that includes both farm and nonfarm activities while households that earn a high percentage of their income from non-farm activities and that generally purchase cereals on the market would be more vulnerable to changes in consumer food prices. The aforementioned situations prove that household income sources may play an important role in predicting how shocks to a community would impact poverty levels and food security.

According to the UN's Millennium Development Indicators, 57.6% of the rural population lived below the national poverty line in 2006. The policymakers set strategies to improve the scenario by understanding the makeup of household incomes, factors associated with higher income levels, and) the levels of income inequality in these communities. Due to limited successes in sub-Saharan Africa, researchers and policymakers need to consider what types of household livelihood strategies and income activities have the greatest potential to serve as motors of economic growth, reducing poverty while improving income distribution in this region.

A better understanding of these parameters should contribute to improved economic development policies and programming in Africa. In particular, information on how livelihood strategies differ between poor and non-poor households, as well as information on whether certain income activities increase or decrease community inequality levels, can be useful to

policymakers and international development agencies as they develop new poverty reduction initiatives.

1.2 Problem statement

Despite all the interventions by both the national and county governments which include among others creation of adequate, productive, and sustainable employment continues to be the greatest economic challenge for Kenya. The employment challenge has been aptly recognized in the country's long-term development blueprint: Vision 2030, the Medium Term Plan (2008-2012), and Labor, Youth and Human Resource Development Sector Plan (2008-2012), Mbita Division, has equally continued to witness worrying unemployment trend hence minimal or low incomes at household levels. This further weakens their purchasing powers. Although studies increasingly focus on the sources of income of households in Kenya and its influences on the purchasing power on the households, no specific study has been done in Mbita Division. This, therefore, called for the need for this study.

1.3 Research Objectives

The broad objective of this study was to determine the effect of inflation on household expenditures in the Mbita Division of Homa-Bay County. The study was guided by the following specific objectives: To identify and document the main sources of income of the households in Mbita Division

2.0 LITERATURE REVIEW

To better understand the context of this study on household incomes and livelihood strategies in Kenya, a literature review is presented.

2.1 Theoretical review

2.1.1 Household Income Portfolios and Livelihood Diversification

2.1.1.1 Common Income Sources

Traditionally it was thought that rural households in developing countries only participated in agriculture, with a focus on cropping activities. However, research from various developing countries has shown that rural households participate in a variety of income activities — both on and off the farm.

2.1.1. 1.1 Livestock Income

In addition to crops, one income source common in Kenya is livestock. In much of rural Africa, where there are few financial and banking alternatives, livestock serves as a relatively liquid asset and is often used as a savings mechanism (Dercon, 1998).

Livestock can also be culturally significant and can play an important role in local customs, such as in the case of bride payments. A common hypothesis is that households use livestock as a consumption smoothing mechanism, selling off livestock to ensure that c constant throughout the year when faced with an income shock. However, this idea has been questioned by Fafchamps, Udry, and Czukas (1998) in a study of rural households in Burkina Faso.

This study found that households that faced the most significant income losses during a drought reported that their primary motivation for selling livestock was to meet household consumption needs

However, statistical analysis of these households' reported income showed that, at most, livestock sales only made up 30% of the income lost as a result of the drought. Fafchamps et al. argue that although livestock income can help make up a sizable share of lost income due to drought, it does not make up for all of it, and therefore is unlikely to be the only consumption smoothing mechanism employed by households in Burkina Faso

2.1.1. 1.2 Nonfarm Income

Another common income source is nonfarm activities. Nonfarm income includes income earned from non-agricultural rural wage employment, self-employment activities, land rentals, and domestic and international migration remittances. Nonfarm income is a significant part of household income and has been estimated to account for approximately 51% of rural income in Asia, 34% in Africa, and 47% in Latin America (Haggblade, Hazell, & Reardon, 2009). This also forms part of the household incomes in Kenya.

2.1.1.1.3 Migration Remittance Income

Within the nonfarm income category, income from migration remittances merits further discussion. In Africa, it has been argued that most household income diversification is not only nonfarm in nature but also non-rural, suggesting that people are moving to urban areas to search for income opportunities (Ellis, 2000a).

Besides, there has been evidence to suggest that migration can play an important role in household risk reduction and consumption smoothing. For example, a study of households in rural India found that households' community send their daughters to other villages or regions to marry. In these agricultural communities, where income risks are often correlated with location, the study argued that this migration spatially diversifies Indian families' risks.

During periods of low income, remittance income could be sent between the two locations, smoothing household consumption patterns (Rosenzweig & Stark, 1989).

The Reardon et al. study (1993) of the Sudanian zone of Senegal, Niger, and Burkina Faso found that remittance income made up, on average, a small percentage of total income during the 1980s, ranging from 2-3%. Another study of households in northern Mali, where poor climatic conditions cause higher agricultural risk, found that migration is extremely common and that the remittances received by households in this region often corresponded with agro-climatic shocks and the death of household members (Perakis, 2011). Finally, Gubert, Lassourd, and Mesplé-Somps (2010) estimated that international remittance income reduced national-level poverty rates in Mali by 5-11%.

2.1.1.2 Relationship between Farm and Nonfarm Activity

The rural growth linkage approach is one model created to address the relationship between Farm and Nonfarm Activity This approach states that a community's agricultural sector creates forwards and backward production linkages and expenditure/consumption linkages with the community's nonfarm sector (Ellis, 2000a). For example, if the cocoa industry in Nigeria experiences a boom, there will likely be more demand for inputs, such as fertilizers, pesticides, and herbicides (backward production linkages). Employment opportunities for cocoa traders, transporters, and processors will also increase (forward production linkages). Finally, as cocoa farmers become wealthier, they will likely increase consumption, which will create a multiplier effect throughout the community (expenditure/consumption linkages) (Ellis, 2000a; Delgado, Hopkins, & Kelly, 1998).

One issue examined by Haggblade and Hazell (1988) is whether production or consumption linkages produce greater multiplier effects. They argue that in rural Africa, consumption linkages tend to dominate while production linkages have a much smaller effect. They also argue that improvements in agricultural income should be focused on poorer households, rather than larger landholders because higher incomes in the hands of the poor will have a greater multiplier effect in the community. Larger households, meanwhile, tend to spend more of their money outside of the community and on high priced goods that are not generally produced or sold by poorer subsections of the population.

2.1.2 Reasons for Livelihood Diversification

Frank Ellis defines rural livelihood diversification as "the process by which rural households construct an increasingly diverse portfolio of activities and assets to survive and to improve their standard of living" (Ellis, 2000a, p. 15).

2.1.2.1 Risk Reduction

It has been argued that risk-averse households prefer lower incomes with lower risk to higher incomes with higher risk. One way in which a risk-averse household might reduce risk is through income diversification into activities that are not positively correlated with each other (Ellis, 2000a; Ellis, 2000b; Reardon et al., 2000; Reardon et al., 1992).

Income diversification through migration may reduce the risk of more than diversification into cash crops. Finally, researchers have stressed that diversification for risk reduction purposes is considered ex-ante and happens before an income shock, such as drought, occurs (Ellis, 2000a; Ellis, 2000b; Reardon, Taylor, Stamoulis, Lanjouw, & Balisa.

2.1.2.2 Coping after a Shock

Diversification can also be ex-post and occur after an income shock. In this situation, households are forced into other activities for survival purposes because income from one activity is not sufficient to live on (Ellis, 2000a; Ellis, 2000b; Reardon et al. 2006). For example, a study of households in the Lacustre zone in Mali identified migration, livestock sales, and receiving gifts from friends and relatives as coping strategies commonly used in this area (Harrower & Hoddinott, 2005).

2.1.2.3 Seasonality

In most areas of Kenya, agriculture can only occur during a limited period of the year. Consumption, on the other hand, occurs all year long. As a result, households might attempt to smooth consumption by participating in other types of income activities during the months when they are not busy with agriculture (Ellis, 2000a; Ellis, 2000b).

2.1.2.4 Credit Market Failures

In many rural areas of developing countries with Kenya being included, credit is unavailable. As a result, farmers may struggle to accumulate enough cash to purchase inputs and equipment needed for agricultural activities. One solution to this liquidity constraint is to diversify into the other 18 cash-generating activities (Ellis, 2000a; Ellis, 2000b). As mentioned earlier, research on rural households in Vietnam, Bulgaria, and Nigeria reported that the presence of nonfarm incomes decreases liquidity constraints facing farmers and increases household expenditures on agricultural inputs (Hertz, 2009; Oseni & Winters, 2009; Stampini & Davis, 2009)

2.2 Imperial review

The available empirical evidence unequivocally points to the existence of a large and growing RNF economy. Previous estimates vary substantially across countries – with RNF income shares across continents ranging between 30 and 45% of rural income (FAO, 1998; Reardon et al., 2001). In terms of rural employment, based on census data, RNF activities involve about one job in four in Asia, West Asia, and North Africa, with higher figures in Latin America (about one third) and lower in Africa (10 percent) (Haggblade et al., 2005). Furthermore, the limited evidence from recently developed countries suggests that this diversification increases as economies grow (Haggblade et al., 2005). It would be misleading to see this growth in RNF in isolation from agriculture, as both form part of complex livelihood strategies adopted by rural households.

2.3 Main Sources of Income for Households in Mbita Division

Mbita Division in South Nyanza borders Lake Victoria in Western Kenya. The average rainfall is about 750-1200 mm. per year distributed over two rainy seasons March to May with an average of maximum rainfall of 200mm in May and July to December with an average minimum of 60mm in July. Weather temperatures range from 17degrees centigrade to 30-degree centigrade (World on line, dated 20th March 2013 at 3.00 pm).

The low and unpredictable rainfall in combination with infertile and eroded soils in most parts of the division results in generally poor agricultural yields. However, farming, at least for subsistence, remains an important economic activity, with maize and sorghum as the most common crops. To a very small extent cash crops like cotton and Sunflower are also grown and sold in the local markets, this supplements the incomes of the residents. Lake Victoria is also a major economic resource for many Mbita residents; fishing by men and fish processing and marketing by women provide important sources of income for many families. Fish is also the least expensive source of protein in the lakeshore area and is common in the diet. Most of the residents, especially young men, migrate out of the area for wage labor in the Cities. Others, both men, and women have found salaried work in Mbita town, such as casual labor at the agricultural

research station-I.C.I.P.E or civil service –Government District Offices found in Mbita Town. Local entrepreneurs include skilled craftsmen (carpenters, tinkers), market vendors, shopkeepers, charcoal burners, Boda Boda Motor Bike operators) and wholesale or retail traders in fish and grains.

Most households combine several of these economic activities to meet their needs for cash and subsistence. For example, a husband may fish and do the land clearing for the agricultural season, while the wife cultivates, plants, weeds, and harvests the agricultural field. At the same time, she may sell charcoal and dried fish as a secondary economic activity. The specific combination of activities of any given household is influenced by the size and quantity of their landholdings, proximity to the lake, educational backgrounds, and to some extent, the age of the household heads. The majority of people are ethnic Luo who live in traditional rural compounds composed of individual houses linked to the cluster through a male member of the household, and each homestead is in turn a member of a patrilineal landholding clan. These people with a 'rural' orientation rely primarily on fanning and fishing for their livelihoods. In contrast, a small but growing population has a more urban orientation. These people live in rented housing and engage in trade, wage labor, or local manufacturing in one of the several towns within the Mbita division, which serve as the market and administrative centers for the region.

3.0 METHODOLOGY AND LIMITATION OF THE STUDY

The study adopted exploratory and correlational research designs. Exploratory research design helped in giving an insight into the households' expenditure behavior while correlation research design facilitated the establishment of relationships among the research variables. Sample sizes of 374 heads of households were selected from a total of 13,789 households in the Division. The individual respondents were drawn using a simple random sampling technique. Primary data were gathered with the help of questionnaires, key informant interviews, focused group discussions, and observation, and Secondary data were collected from Government statistical abstracts, household records, and relevant textbooks. Regression as a tool of analysis was utilized to reveal the existing relationship among the variables and coefficient of determination to show the strength of the established model. The reliability of the data collection instrument was tested using the internal consistency technique in which the scores obtained from the subjects were correlated and the Cronbach's Coefficient Alpha was computed to determine the correlation among the items. The study did not go beyond the division because of its big size and the huge financial resources besides more time it would require to be completed. The researcher intended to interview 374 heads of the households but only 355 heads responded (177 males and 178 females).

3.1 Justification for the Research

Hunger in Kenya continues to rear its head from time to time, the situation is worse in the rural areas where poverty affects more than a third of the population. Despite studies and measures which have been put in place by both the Kenyan Government and other Financial Intuitions to control inflation, the household consumers particularly in Mbita Division of

Homa Bay County has continued to adversely experience the effects of inflation in their day to day expenditure patterns. In the division, most parents are unable to buy uniforms for their

children in schools let alone providing three meals a day for their families. Many pupils are going to school barefooted and with torn clothes. Given the mentioned situations, it has become necessary to do another more detailed study on the effects of inflation in this Division, to find out the possible causes and remedies to help the people living in this division and thus improving their living conditions. The research will assist the policymakers in advising the producers and consumers on their production levels and consumption patterns respectively to respond to inflationary trends and also assist the fields of academia in laying a base for further relevant studies.

3.2 Scope of the Study

The study will focus on the effects of inflation on household expenditures of residents of Mbita Division of Homa Bay County; a sample size of 374 heads of households will be selected from a total of 13 789 households in the Division. The individual respondents will be drawn through a simple random sampling technique. The study will not go beyond the division because of its big size and the huge financial resources besides more time it would require to be completed.

4.0 SITUATIONAL ANALYSIS OF INCOMES IN MBITA DIVISION

4.1 Demographic Characteristics of the sampled Respondents

The table below shows the gender of the respondents:

Table 1 Gender of the respondents

Gender	Frequency	Percentage
Male	177	49.9
Female	178	50.1
Total	**355**	**100**

Source: Field Survey Data, 2013

Table 3.1 shows the demographic characteristics of the sampled respondents. From the table, 177(49.9%) were males while the remaining 178(50.1%) were females.

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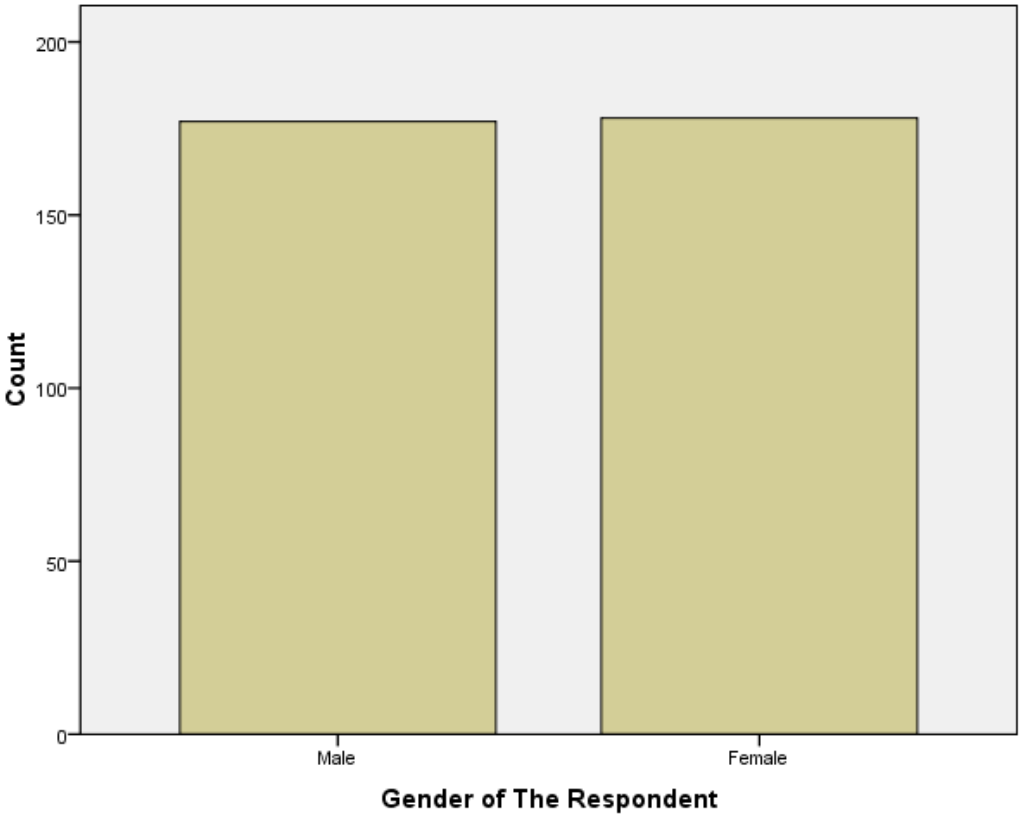

4.2 Main Sources of Household Incomes in the Study area

Table 2 Household's levels of Incomes

Monthly Income(KSH)	6 Months Ago		Now		Gender	
	f	%	f	%	Male	Female
0-500	0	0	0	0	0	0
501-1000	3	0.8	3	0.8	0	3
1001-3000	40	11.3	11	3.1	21	19
Above 3000	312	87.9	341	96.1	156	156
TOTAL	355	100	355	100	177	178

Source: Computed from field data, 2013.

As shown in table 3.2, majority (87.9% and 96.1%) of the sampled households earned above Ksh 3000 six months ago and currently respectively and evenly distributed across gender.

Table 3 Descriptive Statistics of Household Income Sources

	N	Minimum	Maximum	Mean	Std. Deviation
Income Contribution from Agriculture 6 Months ago	355	.00	50000.00	3984.9577	8877.92223
Income Contribution from Agriculture Now	355	.00	55000.00	3860.5634	9182.52576
Income Contribution from Labour 6 Months ago	355	.00	10000.00	357.1831	1427.10760
Income Contribution from Labour Now	355	.00	15000.00	453.5211	1937.16484
Income Contribution from fishing 6 Months ago	355	.00	25000.00	1945.3521	4389.11720
Income Contribution from Fishing Now	355	.00	22000.00	2233.2394	4694.74035
Other Income Sources 6 Months ago	355	.00	450000.00	12422.6141	48414.45494
Income Contribution from Other Sources Now	355	.00	70000.00	9017.0394	14523.40942

As shown in table 3.3, the maximum incomes obtainable from the sources indicated showed an upward trend when comparisons and made between current period and six months ago. The average (mean) incomes decreased except for fishing and labor sources.

5.0 SUMMARY, CONCLUSION, AND POLICY RECOMMENDATIONS

5.1 Summary

The study focused on the sources of income on the households, the case of the Mbita Division of Homabay County, Kenya.

5.2 Conclusion

The study revealed that most of the households in the Mbita Division of Homa County drive their income from peasant farming for daily subsistence, charcoal burning, fishing, and micro-business activities and most households went with one meal a day or none when the situation gets tough. , treated themselves locally without attending the hospitals resulted in walking on foot and most people used up their savings.

5.3 Policy Recommendations

The study recommends that the households in Mbita division should diversify their sources of income and spend only on the basic stuff. The study further recommends that the government should develop other strategies to boost the financial base for the people of Mbita division to get sustainable sources of income for economic stability.

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