

**LIVELIHOOD DIVERSIFICATION AND POVERTY AMONG RURAL  
HOUSEHOLDS IN CAPRICORN DISTRICT, LIMPOPO PROVINCE, SOUTH  
AFRICA**

by

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## **ABSTRACT**

Livelihood diversification in South Africa has become the backbone for many of the households' in rural areas and it is perceived as a strategy to cope with the growing population and the rapidly increasing poverty rate. A sizeable number of rural households in South Africa work two or more jobs to generate more income. This serves as a strategy to alleviate their poverty. In spite of these, it is evident that poverty and high rate of unemployment are still prevalent in the rural Capricorn District. Thus, this study examined the nexus between poverty and diversification of livelihoods and to ascertain whether the different livelihood diversification strategies engaged in make rural households better-off or worse-off in the study area. A multi-stage and simple random sampling technique was employed to collect data from a sample of 216 respondents. Analytical techniques employed were descriptive statistics, FGT Poverty Index and the Probit Regression Model. Nine variables were included as explanatory variables in the Probit Regression and only six variables (gender of the respondents, marital status of the respondents, years of formal education, household size, livelihood index and member of association) were found to be significant at 10%, 5%, 1%, 10%, 1% and 5%, respectively. Based on the findings, the study recommends that the diversification of livelihood strategies needs to be strengthened among rural households, investment in formal and vocational training should be intensified to increase rural households' participation in more viable livelihood options in the study area.

Keywords: Diversification, Livelihood opportunities, Poverty, Rural households and South Africa.

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### ***Isaiah 55:11-12***

*..My word that goes out of my mouth will not return to me empty, but will accomplish what I desire and achieve the purpose for which I sent it.*

*You will go out in joy and be lead forth in peace; the mountains and hills will burst into song before you, and all the trees of the field will clap their hands*

## **DEDICATION**

This work is dedicated to my daughter, Mmabatho Mogau Maja. Mommy did it baby girl.



## **DECLARATION**

I, hereby declare that this dissertation is my original work, and has not been submitted in partial or entirety for degree purposes to any other university. All the work that was written by other authors and used in this dissertation is fully acknowledged.

Submitted for the Master of Science degree in Agriculture (Agricultural Economics) at the University of Limpopo (Turfloop campus)

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**Maja Tumiso Nighty**

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**Date**

## **LIST OF ACRONYMS**

CASP- The Comprehensive Agricultural Support Programme

CDM – Capricorn District Municipality

DLA- Department of Land Affairs

GDP- Gross Domestic Product

GEAR-Growth, Employment and Redistribution Strategy

IFAD- International Fund for Agricultural Development

MAFISA- Micro-Agricultural Financial Institutions of South Africa

NDA-National Development Agency

RDP- Reconstruction and Development Programme

SADC- Southern African Development Community

StatSA- Statistics South Africa

UN-United Nations

UNESCO- United Nations Education, Scientific and Cultural Organization

# CHAPTER 1: INTRODUCTION

## 1.1 BACKGROUND

Livelihood diversification in South Africa has become a norm for most of the rural households as a strategy to cope with the growing population and the rate at which poverty is rising among the households (Munhenga, 2014). Households diversify their livelihoods as a means of satisfying their basic needs and also to achieve the livelihood objectives in the long run. According to Lawal and Omonona (2011), livelihood comprises of the skills, assets (stores, resources, claims and access) and activities required for a means of living. Furthermore, Hussein and Nelson (1998) defined livelihood as systematic enterprises undertaken by individuals using their competencies and available opportunities to derive financial rewards. The value of the livelihood concept is in understanding how the rural poor call upon a range of different assets and activities as they seek to sustain and improve their wellbeing.

Diversification is perceived as a means of improving the performance of food production which will lead to an increase in rural households' income and lower the prices of food in the market (Ellis and Bahigwa, 2003). Livelihood diversification is further defined as the process by which rural households' construct a diverse portfolio of activities and social support capabilities in order to survive and to improve their standard of living (Ellis, 2007). According to Ahmed and Sanders (2000) as cited by Onasanya and Atoyebi (2018), diversification can be understood at different levels, from growing to a greater number of varieties of a staple crop, through the introduction of new crops or livestock into a farming system, to engage in one or more non-farm income-generating activities to what might be considered 'intra-sectoral' diversification.

Poverty as defined by (UNESCO, 2016), is the scarcity or the lack of a certain amount of material possessions or monetary assets. Poverty is a multi-faceted concept, which may include social, economic and political elements. According to the World Bank (2001) as cited by (Lawal *et al*, 2011), poverty also means insecurity, powerlessness and exclusion of individuals,

households and communities. It is a broad and partly subjective phenomenon, often viewed as both the cause and symptom of underdevelopment. In the South African context, it is correct to argue that poverty bears the face of a black person and this particular black person being a woman and her children inherit her destitution thus being trapped in a vicious cycle of poverty with no end in sight (Stat-SA, 2017). The reduction of poverty is the most difficult challenge facing any country in the developing world where on the average majority of the population one is considered poor. Evidence in Nigeria showed that the number of those in poverty has continued to increase rapidly, (Lawal *et al.*, 2011). According to Omarjee (2017), over 55 percent of the South African population is living in poverty and this confirms what has long been played out in society and policies due to a linear understanding of development which is often very economic based and exclusionary of social and cultural factors. Majority of black South Africans who are currently active in the job market earn minimum wages and are still living below the poverty line.

Among other developing countries in the SADC region, the South African economy is dominated by the informal sector which normally operates in rural and urban areas (Ndulo, 2013). Activities in the informal sector are too broad namely; smallholder farming and non-farming activities. Most individuals engaged in the informal sector are from rural areas and are affected by their lack of skills (Ndulo, 2013). However, South Africa is not the only country that is dependent on the activities of the informal sector for survival. A number of developing countries also face the same misfortunes. According to Assan (2014), livelihood diversification activities have become an important income generating strategy for rural farm households throughout the developing world, although these activities are found to account for only a part of the total income of rural small farm households, the diversified non-farm sector has gained importance for rural household economies.

## **1.2 PROBLEM STATEMENT**

A household is referred to as a multi-activity unit which is made up of individuals and the activities pursued by them (Mehta, 2009). Most of the individuals residing in the Capricorn District are found in the rural areas and the majority of them are known to diversify their livelihoods as a means of generating income for their households (CDM, 2012). Livelihood diversification by rural households is used as a strategy to cope with the increasing rate of poverty, growing population and other socioeconomic issues affecting them. Labour force is one of the abundant factors of production in rural households and since livelihood diversification includes on-farm and off-farm activities the labour force is thus employed in various sectors to generate income (Hussein and Nelson, 1998). Therefore, most of the non-farm activities which individuals from rural households engage in are found to be in the informal sector and this is due to the increasing rate of unemployment. According to McLaughlin (1990), the informal sector consists of small-scale, self-employed activities (with or without hired workers), with the primary objectives of creating employment and generating income. Seshamani (1990) added to this definition by stating that this sector is comprised of all those activities which generate incomes that are unrecorded in the formal accounts of the national economy.

The unemployment rate in South Africa increased to 27.2% in the second quarter of 2018 from 26.7% in the previous period (Moya, 2018). It is the highest unemployment rate since the first quarter of 2004 as the unemployment rate rose faster than the employment rate (Taborda, 2017). The rate of unemployment increased by 103 thousand to 6.08 million while the rate of employment decreased by 90 thousand to 16.29 million (Moya, 2018). Rural households are then confronted with continuously increasing food prices and even though the effect will not be felt immediately, the household heads would then have to continue to find other means so as to sustain their livelihood (Fisher, 2017). The study considered various strategies that households adapt to as means of deriving their livelihood, both from the formal and informal sector, as well as the contributions that each sector makes into the household. Strategies which the rural households adopt in

order to cushion the effect of poverty and other socioeconomic problems facing them were also studied.

### **1.3 RATIONALE**

The aspiration to conduct this study was driven by the living conditions of rural households whereby most of the households are headed by women and children. The lack of employment opportunities in the formal sector was also one of the driving forces in conducting this study and one of the factors influencing households to diversify their livelihoods in the informal sector by engaging in the activities found therein. Majority of the households in rural areas which are headed by women result from their husbands being either employed in other provinces (mostly Gauteng), deceased and others just single. Households that are headed by children are a result of being orphaned or their parents are in their old-age and thus unable to secure income for the family, so the child has to step up and take care of the parents and siblings. In some households, one would find that there are more than four-six family members living in a four-roomed house (RDP). While on that note, South Africa has many young graduates who are faced with the rapid increase of the unemployment rate which also triggers the poverty rate among households to increase. It is a known fact that without experience there is not much a newly graduate can do regardless of the level of qualification that would be in their possession.

The individuals in rural communities have then decided to hold various jobs as a strategy of securing and increasing their current income. The motive to diversify their livelihood was triggered by the ever increasing poverty and population rate. And since rural households have portions of land in their background, they started to produce for both consumption and selling in the informal markets because their products do not meet the standard and quantity required in formal markets. The other factor of production found in rural households is labour which is also employed in the informal sector because of the limited skills possessed. Therefore, since majority of individuals from rural households operate in the informal sector, there should be incentives or grants that small businesses receive from government but

because the small businesses within the informal sector do not meet certain criteria, they do not qualify for such incentives.

## **1.4 STUDY AIM AND RESEARCH QUESTIONS**

### **1.4.1 AIM**

The aim of this study is to examine the nexus between the poverty and diversification of livelihoods and to analyse whether the different livelihood diversification strategies make rural households better-off or worse-off in the Capricorn District, Limpopo Province, South Africa.

### **1.4.2 RESEARCH QUESTIONS**

1. What are the socioeconomic characteristics of rural households in the Capricorn District?
2. What are the available and accessible livelihood activities for rural households in the study area?
3. What is the poverty status of rural households in Capricorn District?
4. Is there any link between poverty and livelihood diversification of rural households in Capricorn District?
5. Are there challenges faced by these households in combating poverty in the study area?

### **1.4.3 OBJECTIVES**

1. Identify and describe the socioeconomic characteristics of the rural households' in the Capricorn District.
2. Identify and describe the different livelihood activities engaged in by the rural households.
3. Examine the poverty status of rural households in Capricorn District.
4. Examine the nexus between poverty and the livelihood diversification of rural households.
5. Identify the challenges faced by rural households in combating poverty in the study area.

## **1.5 OUTLINE OF THE STUDY**

Chapter 1 of this study consists of the background, problem statement, rationale of the study and the scope of the study which is the aim, research questions and the objectives.

Chapter 2 is the literature review which takes into account the different studies conducted on livelihood diversification and the opinions of various authors and researchers.

Chapter 3 presents the research methodology which includes the study area, data collection and sampling and analytical techniques.

Chapter 4 discusses the results and findings of the study which will be presented in descriptive form and through the empirical model.

Chapter 5 consists of the summary, conclusion and recommendations based on the findings of this study.



## **CHAPTER 2: LITERATURE REVIEW**

### **2.1.1 DEFINITION OF KEY CONCEPTS**

Livelihood is defined as systematic enterprises undertaken by individuals using their capabilities and available opportunities to derive financial rewards, Hussein and Nelson. (1998). Ellis (2000) viewed livelihood as a combination of assets that include human, natural, physical, social and financial capital activities and the access to these assets and activities that together govern or map the type of living gained by an individual or a household. In its simplest form, livelihood can be described as a means of securing the necessities of life.

Barret and Reardon (2001) defined diversification as a norm. The study further explained that very few people collect all their income from only one source, hold all their wealth in the form of any single asset or use their assets in just one activity. Ellis and Bahiigwa, (2003) perceived diversification as a means of enhancing the performance of food production which would lead to an increase in rural households' income and lower the prices of food items in the market. Diversification patterns reflect individuals' voluntary exchange and their allocation of assets across various activities so as to achieve an optimal balance between expected returns and risk exposure conditional on the constraints they face (Barret *et al.*, 2001). Reardon (1997) reported that diversification offers a pathway out of poverty but he does not say whether it is indicative of survival or accumulation strategies.

According to Hussein and Nelson, (1998), the focus on livelihood diversification implies a process of broadening income and livelihood strategies away from purely farm activities (crop and livestock production) towards non-farm activities that are undertaken to generate additional income through the production of other agricultural and non-agricultural goods and services, the sale of waged labour or self-employment in small enterprises. Livelihood diversification is driven by the necessity and it must therefore be seen to be directly associated with rural poverty (Onasanya, 2018).

Livelihood diversification is thus considered to be a pervasive and enduring characteristic of rural survival reflecting the continuing vulnerability of rural livelihoods. The task of policymakers is to facilitate rather than inhibit diversity. Diverse livelihood systems are less vulnerable than undiversified ones (Ellis, 2000). However, accumulation through diversification may not be equally available to all rural households. They consider diversification to provide one source of surplus for investing into productivity improvement in agricultural methods and other forms of accumulation (Whitehead and Kabeer, 2001).

In South Africa, rural poverty and chronic deprivation may be partly endorsed to the poor endowment in natural resources of former homeland areas. Poverty, as defined by May (1996), is the inability to attain a minimal standard of living, measured in terms of basic consumption needs or income required to satisfy them. Poverty has many dimensions, among which low consumption is the main indicator, linked to others such as malnutrition, illiteracy, low life expectancy, food insecurity, powerlessness and low self-esteem (IFAD, 2001). A starting point of the poverty measurement is to identify those who are poor. In the simplest terms, poverty is based on a single attribute of well-being, which is income (Hojman and Kast, 2009). There are several concepts with regards to poverty, however whichever concept is used, it is possible to imagine that there is a threshold minimum or subsistence level under which poverty is unacceptable (absolute poverty or relative poverty).

Absolute poverty is a condition where household income is below a necessary level to maintain basic living standards (food, shelter, education). This condition makes it possible to compare between different countries over time. It depends not only on income but also on access to social services (UN,1995). Relative poverty occurs when an individual who lives in a certain country does not enjoy a certain minimum level of 'living standards' as compared to the rest of the population of that country (Sebates, 2008). Hojman and Kast, (2009) further explained that poverty is conceived as a condition or status associated with levels of income below an absolute threshold, the poverty line. The social welfare functional embodied by the poverty measure is then assumed to satisfy the main attribute, which

establishes that social welfare should only respond to the well-being of those who are poor.

### **2.1.2 FACTORS INFLUENCING HOUSEHOLDS TO DIVERSIFY**

Diversification is mostly concerned with broadening household income. However, the motive to diversify might not be clear as to whether households diversify for survival or accumulation of wealth more especially the middle-high income households. de Janvry and Sadoulet (2001) reported on forms of accumulation in the rural non-farm service sector activities such as tourism and waged labour activities. They acknowledged that the rural non-farm service sector has a better potential of increasing income from diversification.

Barrett *et al.*, (2001) stated that there are multiple motives which prompt households and individuals to diversify assets, incomes, and activities. The first set of motives is referred to as the 'push factors' and the second set of motives is referred to as the 'pull factors'. The push factors consist of risk reduction, response to diminishing factor returns in any given use, such as family labour supply in the presence of land constraints driven by population pressure and fragmented landholdings, reaction to crisis or liquidity constraints, high transactions costs that induce households to self-provision in several goods and services. The pull factors consist of the realisation of strategic complementarities between activities, such as crop-livestock integration or milling and hog production, specialisation according to a comparative advantage accorded by superior technologies, skills or endowments.

From the "push factor perspective", diversification is driven by limited risk bearing capacity in the presence of incomplete or weak financial systems that create strong incentives to select a portfolio of activities in order to stabilize income flow and consumption, by constraints in labour and land markets, and by climatic uncertainty. From the "pull factor perspective", local engines of growth such as commercial agriculture or proximity to an urban area create opportunities for income diversification in production- and expenditure-linkage activities (Barret *et al.*, 2001).

## **2.2 REVIEW OF PREVIOUS STUDIES**

The changing socioeconomic, political, environmental and climatic atmosphere in Nigeria and other developing countries across the globe has continued to aggravate, especially to those living in the rural areas. The accompanying increase in poverty levels has led residents of these economies to devise a number of strategies to cushion the negative effects of these changes (Oluwatayo, 2009). Diversification in rural livelihoods has become a serious subject of conceptual and policy-based research because income from farming has come under pressure due to population increase (Barrett *et al.*, 2001; Ellis, 1998). It has been realised for some time that rural people no longer remain confined to farm activities i.e. crop production, fishing, forest management or livestock-rearing but are engaged in a range of occupations to construct a diverse portfolio of activities (Dercon and Krishnan, 1996; Ellis, 2000).

It has also been established in many rural areas that agriculture alone does not provide sufficient livelihood opportunities, hence diversification into non-farm activities is seen as a form of self-insurance and security. This is because diversification offers people options for coping with a crisis (Munhenga, 2014). The resultant effect of this is that rural households diversify their income sources by combining two or more jobs to improve consumption smoothing and acquire other basic needs. Rural households concentrate their skills on either crop, especially 'maize' or livestock production but it is rare to find rural households diversifying in both crop and livestock simultaneously because of the expense that each one carries. Therefore, they focus their resources on one form of the product, for example, specialise (Ellis and Freeman, 2004). In most instances, rural households engage in on-farm/agricultural activities for consumption purposes only. Diversification of on-farm activities is however more common among rural emerging farmers whereby they would be producing two or more crops or both crop and livestock on a larger scale with the intention of consuming but mostly selling to generate income. The most common form of livelihood diversification is seen when households engage in other activities out of the farm or agricultural environment (Bayissa, 2010).

Ellis (2000) pointed out that an increase in off-farm or non-farm wage rates, or greater opportunities to undertake remunerative non-farm self-employment would increase the motive to diversify. Therefore, taking advantage of these off-farm opportunities could offer a pathway out of poverty for the rural poor households (Barrett *et al.*, 2001). Mompati and Jacobs, (2009) identified three sources from which the rural households obtain their food and these are the market, subsistence production and transfers from public programmes or other households. According to Oduro (2002), it is agreed that poor households are a heterogeneous group which can be differentiated on the welfare basis of how far their consumption expenditure or income lies below the poverty line, and/or on the basis of gender, educational background, ownership of assets or type of occupation.

It is widely agreed that the capabilities to diversify are beneficial for households at or below the poverty line. Having other possibilities for income generation can make the difference between minimally feasible livelihoods and deprivation. However, diversification does not have an equalising effect on rural incomes overall. Affluent families are usually able to diversify in more favourable labour markets than poor rural families. The tendency for rural households to engage in multiple occupations is often observed, but few attempts have been made to link this behaviour in a systematic way to rural poverty reduction policies (Oluwatayo, 2009).

Anderson *et al.*, (1994) described a strategy as conscious and coherently structured actions that are aimed at achieving something in the future. Anderson *et al.*, (1994) viewed coping strategy as a short term reactive response to a crisis or a stressful situation, then later went on to specifically describe coping strategies as medium term strategies that anticipate a predictable crisis or situation of stress in the immediate future. Meert *et al.*, (2005) further outlined that coping strategies are used by households in order to make savings on consumption, to increase earnings in production, or to substitute market with a non-monetary exchange. Poverty coping strategies provide an additional dimension to the nature of poverty in a country. Poverty is based on a single attribute of well-being, "income". In this unidimensional world, poverty is conceived as a condition or status associated with levels of

income below an absolute threshold, the poverty line. An analysis of movements of a household's welfare overtime will provide quite some useful insights into what determines the movement into and out of poverty and why some households still remain poor.

Diversification patterns reflect individuals' voluntary exchange of assets and their allocation of assets across various activities so as to achieve an optimal balance between expected returns and risk exposure conditional on the constraints they face (Barret *et al.*, 2001). More than 50% of income in rural farming communities in developing countries comes from non-farm sources (IFAD, 2010). The context of various risks implies that diversification is primarily a risk management strategy; both risk mitigation in anticipation of shock and coping after actual shock (Anderson and Deshingkar, 2006).

### **2.2.1 THE ROLE OF LIVELIHOOD DIVERSIFICATION ON THE WELL-BEING OF RURAL HOUSEHOLDS**

One of the most common reasons for rural households to diversify their livelihoods is to increase their minimum household income and to sustain their ways of living. Ellis (1998) and Bryceson (2002) outlined that strategies to diversify livelihoods include both on-farm and off-farm activities as well as risk mitigation on production and income. If the agricultural production is low (crop failure) due to agro climatic shocks or market failures, farm households may utilise off-farm income to stabilise aggregate income flows and secure food access. In addition, most poor households' income from farm activities is not enough for the whole year consumption, and they use off-farm income in the crucial hungry period between food stores running out and the next harvest (Whiteside, 2000; Kilica *et al.*, 2009).

Diversification can either be a choice or necessity out of poverty towards more resilience and sustainability depending on the total household income and household population (Ellis, 2000). Diversification by choice is related to the voluntary decision of a household to diversify. In this case, a household chooses to diversify not for survival *per se* but also for accumulation. This is a proactive decision and leads to upward well-being mobility. The necessity driven diversification on the other hand, is the result of desperation, the last

resort of vulnerable households for survival. In this case, diversification may lead the household to end up in a more vulnerable livelihood system than the one adopted previously (Davies, 1996 cited in Ellis, 2000). According to Ellis (1998 cited in Mathebula *et al.*, 2005), livelihood diversification is more than activity and income diversification. It includes property right, social and kinship networks, and access to institutional support. Within the diversification literature, there has been much debate concerning the ability of a diversified activity to provide accumulation and/or survival options to rural households (Whitehead and Kabeer, 2001).

Smith *et al.*, (2001) found off-farm diversification tendency highest in middle-income households, whereas the low and high-income households diversified the least. The high income households have greater freedom to choose among a wider range of non-farm options than the poor, and they (high income households) tend to branch into two groups: 'full-time farmers' and 'farm and skilled non-farm'. On the other hand, the poor have little choice when diversifying out of farming: they go into unskilled off-farm labour and other activities with low barriers and therefore generally poor returns. This pattern least benefitted the poor and increased income inequality as rural households continued to earn low income (Onasanya *et al.*, 2018). Barret *et al.*, (2001) emphasised that high income households diversify more for risk management (i.e. self-insurance) and income enhancement, while the low income households are more likely to diversify in response to shocks.

### **2.2.2 STREET TRADING AND ECONOMIC DEVELOPMENT**

Street trading refers to providing goods and services on the streets or small stalls in exchange for financial gains. In South Africa, street trading has become an important source of income as most rural households engage in it. Alternatively, informal traders can also be defined as people who conduct informal street trading on a small scale, mostly from street pavements, and who, as a group offers a large variety of products and basic services to prospective clients (Willemse, 2011).

The majority of street traders in South Africa are black women who trade in a range of goods including sweets, knick-knacks, cigarettes, clothing, and (most

prominently) in fruit and vegetables (often produced by someone else). Despite its relatively modest appearance, street trading is one of the largest sectors of the informal economy (Ndulo, 2013).

A labour force survey conducted in 2000 estimated that there were approximately 500,000 street traders across South Africa, 70 percent of whom deal with food items and it was also found that their age tended to range from 25-49 years, with women likely to be older than male street traders. The informal sector is therefore a resourceful and dynamic sector which includes a variety of economic activities. It represents an important part of the economy and certainly of the labour market in many countries, especially the developing countries. It plays a major role in employment creation, production and income generation.

Hart (1973) explained the significance of 'small-scale distribution' to urban economies. His work led to a view of the people engaged in small scale distribution of goods through street trading as being gainfully employed with informal activities in a way that generated growth in their incomes. Hart (1973) also challenged the view that income opportunities exist only in formal employment activities. And this is evident because of the rate at which the informal sector increases and also accommodates rural households. Basically, the informal sector serves as the largest platform for income diversification and employment for rural households regardless of their educational background.

In countries with high rates of population growth or urbanization, the informal sector inclines to absorb most of the growing labour force in the rural areas, therefore posing a challenge to policy-makers with regard to issues such as, improvement of the working conditions and legal and social protection of the persons employed in the informal sector, increasing the productivity of informal sector activities, training and skills development (Husmanns & Mehran, 1993). Informal businesses contributed 5 percent to South Africa's GDP, with the sector itself growing in recent years. The informal sectors' contribution to GDP had stayed at 5 percent from 2001 up to 2013. The informal sector employed about 1.5 million out of a total of 15 million labour



force (nationwide) and according to Stat-SA, (2014) the informal sector was dominated by men who accounted to 55 percent. The contribution of the informal sector to the GDP of South Africa then increased to 5.25 percent between 2013 and 2015 and more of the labour force was employed (Stat-SA, 2015).

Other than providing employment for the rural households, the informal sector also improves the food security at household level in rural areas. However, as much as the informal sector employs most people from rural areas, it however discriminates against women. According to Skinner (2016), the informal sector is a declining source of employment for women. In the third quarter of 2016, 970 000 women were recorded to be in the informal sector, constituting 37 percent of total informal sector employment from 45 percent in the first quarter of 2008.

### **2.2.3 POVERTY REDUCTION STRATEGIES ADAPTED BY BOTH RURAL HOUSEHOLDS AND GOVERNMENT**

The price of food items in the market place continues to increase thus leaving the rural communities vulnerable to extreme poverty because they will not be able to afford basic food items. Since income is the main indicator of poverty, majority of rural households have resorted to diversifying their income as an attempt to alleviate poverty at household level. At the same time, the government also introduced some programmes as means of reducing poverty and improving the well-being of rural communities. One of the most popular strategies that rural households adapt to is migration which is mostly common among household heads (males) in seeking to better their financial returns and agricultural intensification (Hussein and Nelson, 1998).

It has been seen how migrant remittances may relieve rural financial constraints. The importance of migration is necessary to those living in poor agro-climatic condition and in providing much needed resources for investment in rural production (Taylor and Wyatt, 1996). Previous studies conducted by Reardon (1997), Taylor and Wyatt (1996) have shown how migration may represent a rational allocation of total household labour to

maximise household utility therefore forming a central part of rural people's risk mitigation strategies.

The South African government introduced programmes that could address some aspects of poverty such as access to shelter and sanitation. The Reconstruction and Development Programme (RDP) was implemented to address land restitution, housing, health facilities, water and sanitation issues faced by rural communities after the 1994 elections in South Africa (Mathebula, 2005). The RDP is the policy framework within which government intends to create a democratic, non-racial, non-sexist and prosperous society. The RDP is aimed at a better life for all South Africans and the shared commitments between government and the people are: meeting the basic needs of the people, accelerating the basis for sustainable economic growth, development and job creation, development of human resources and so forth.

The RDP was however replaced by the Growth, Employment and Redistribution Strategy (GEAR) after 1997 as one of the principal instruments for the realisation of the policy objectives contained in the RDP. It is a macro-economic initiative which aims to address the problem of poverty and inequality reduction by addressing structural weaknesses that inhibit economic growth and empowerment. While these strategies were well expressed, their implementation has not been very effective at local level (Perret, 2004).

The Comprehensive Agricultural Support Programme (CASP) is a farmer support programme which was implemented in 2004 by the Department of Agriculture. The programme is aimed at improving food security, job creation and poverty alleviation at households' level by providing emerging farmers with information and knowledge management, technical and advisory assistance, training and capacity building, market and business development, on and off-farm infrastructure services and regulatory services. The services thereof will assist the farmers in increasing their on-farm production scale and establish a market for their products (NDA, 2005).

Access to credit is one of the scarcest resources among smallholder and emerging farmers as well as small-scale businesses. Therefore, the Micro-

Agricultural Financial Institutions of South Africa (MAFISA) is another form of farmer support programme which provides access to finance for farmers, especially beneficiaries of the land restitution, redistribution and land tenure reform programmes. The Land Bank is responsible for administering the credit scheme on behalf of the Department of Agriculture and provincial departments provide assistance to access the scheme. The challenges experienced in implementing the scheme mainly included a lack of capacity and a lack of economic and financial experience at provincial departments. Intervention measures were established and provinces have now assigned agricultural economists to assist applicants with their operational plans (NDA, 2005).

Regardless of the government's effort to implement farmer support programmes in the rural economies, there is still a number of subsistence and emerging farmers who do not have access to such initiatives, especially access to financial services. This challenge is not only faced by rural farmers but by the smallholder and emerging businesses in the rural-urban areas in South Africa (Assan, 2014).

The land tenure reform is also another programme implemented by the South African government to alleviate poverty in rural communities. Land tenure reform refers to planned change in the terms and conditions (e.g. the adjustment of the terms of contracts between land owners and tenants, or the conversion of more informal tenancy into formal property rights). A fundamental goal is to enhance and to secure people's land rights, (Adams *et al.*, 1999). The land reform consists of restitution which aims to restore land and provide other remedies to people dispossessed by racially discriminatory legislation and practice (DLA, 2010). It also consists of the land redistribution which also aims at providing the disadvantaged and the poor with access to land for residential and productive purposes. Its scope includes the urban and rural very poor, labour tenants, farm workers as well as new entrants to agriculture (DLA, 2010).

When both these programmes were implemented, the assumption was that rural communities would use the land purposefully by engaging in agricultural

production for consumption and perhaps for selling as well. Should rural communities partake in any agricultural activities, they would secure food at household level and should they decide to diversify their products i.e. (on-farm diversification), it would open up employment opportunities for all other unemployed individuals in rural communities (Omarjee, 2017).

#### **2.2.4 EFFECTS OF DIVERSIFICATION**

Ellis (1999) discussed diversification and outlined the importance of its sustainability in rural livelihoods and how it improves its long run resilience to adverse trends or sudden shocks. In this respect, individual and family livelihoods display similarities to larger social and economic groupings up to the level of the economy at large. In general, increased diversity promotes greater flexibility because it allows more possibilities for substitution between opportunities that are in decline and those that are expanding (Ellis, 1999).

Seasonality is one of the essential features of rural livelihoods noted by Chambers *et al.*, (1981). In economic terms, seasonality means that returns to labour time i.e. income that can be earned per day or week worked vary during the year in both on-farm and off-farm labour markets (Ellis, 2000). Ellis (1998) noted a problem of food insecurity caused by a gap resulting from peaks and troughs in labour utilisation on the farm, uneven farm income streams and continuous consumption which indicated that diversification can contribute to reducing the adverse effects, by utilising labour and generating alternative sources of income in off-peak periods.

Diversification is also a primary means by which many individuals reduce the risk of malnutrition and chronic poverty in the low income households (Ellis, 1999). Asset and livelihood diversification have important consumption smoothing, risk management and productive functions (Doward *et al.*, 2001). Under an imperfect insurance market, off-farm income has a great role to minimise the risk of farm activities. According to Bayissa (2010), non-farm earnings may lead to a decline in households' relative degree of risk aversion and enable them to undertake high-risk/high-return options. Pfeiffera *et al.*, (2009) also concluded that off-farm income might serve as a good risk

management tool and that farm households also undertake non-farm activities as a way of avoiding risks from agriculture (Ellis, 1999).

Higher income could alone reduce risk by making better use of available resources and skills (as in seasonality above), and taking advantage of spatially dispersed income earning opportunities (Ellis, 1999). Households that have higher-medium income are able to diversify in more favourable environments than the low income households which continue to make the low income households vulnerable to poverty fluctuations.

Also, it is possible for diversification to improve the independent income-generating capabilities of women as well as improve the care and nutritional status of children since a high proportion of cash income in the hands of women tends to be spent on family welfare (Munhenga, 2014). For this to occur, activities need to be promoted in the rural areas that are accessible to women, which implies that such activities have to be located close to sites of residence and corresponding with types of work to which women have equal or better access qualifications than men (Ellis, 1999).

On the other hand, diversification can be associated with widening inequalities between the incomes of the rural poor and the better-off. This occurs, as noted already, because the high-medium households are able to diversify in more advantageous and lucrative labour markets than the low-income households, and this in turn reflects asset poverty, especially with respect to human capital (Ellis, 1999). Some types of diversification may result in unproductivity on the home farm. This typically occurs when there are resilient distant labour markets for male labour, resulting in depletion of the labour force required to undertake peak farm production demands such as land preparation and harvesting (Munhenga, 2014). This occurred in southern Africa in the 1970s and 1980s, where many rural households came to depend on remittances from migrants to urban areas in South Africa for their food security (Ellis, 1999).

Diversification could further have adverse gender effects on agriculture. Where it is male labour that is predominantly able to take advantage of diversification opportunities, then women may be even more downgraded to

the domestic sphere and to subsistence food production (Ellis, 1998). In general, the positive effects of diversification appear to outweigh its disadvantages (Ellis, 2000). The positive effects tend to be beneficial impacts of wide applicability (e.g. risk reduction, mitigating seasonality), while the negative effects typically occur when labour markets happen to work in particular ways in particular places. The removal of constraints from the expansion of opportunities for diversification is therefore desirable policy objectives because they give individuals and households more options to improve livelihood security and to raise their own living standards (Ellis, 1999).

According to Osenia and Wintersb (2009), participating in non-farm activities may take family labour away from agricultural activities, thereby potentially reducing family labour in production that can cause their own farm productivity to stagnate or fall. Under an imperfect labour market, the households could not perfectly substitute the family labour lost with hired labour force, so these shifts in labour from farm to non-farm employment can lead to farm production inefficiency (Chavas *et al.*, 2005). Income earned off the farm might not be used for agricultural production, but rather, to increase consumption, finance investments in non-agricultural production or education, or migrate out of the rural sector entirely (Pfeiffera *et al.*, 2009). From a policy perspective, the findings suggest that unless more favourable conditions are created, nonfarm earnings are not likely to be invested in agriculture. In addition, when agricultural investment is risky, non-farm employment and investment options may compete for household labour and capital that could be allocated to agricultural land and technology improvements (Kilica *et al.*, 2009).

Some findings (Osenia and Wintersb, 2009; Kilica *et al.*, 2009) show that household off-farm earnings are negatively related with productivity-enhancing crop input expenditures. Furthermore, Holden *et al.*, (2004) indicate that access to rural nonfarm activities may reduce the amount of labour allocated for soil conservation practice. This can also lead to increased soil erosion and land degradation, suggesting a drop in agricultural productivity.

Off-farm activity has been found to be positively correlated with income and wealth and may offer a pathway out of poverty. If the households have better access to non-farm sources of income, that is likely to be good for household welfare and food security (Holden *et al.*, 2004). Off-farm income can also improve efficiency and performance of farm households. Pfeiffera *et al.*, (2009) also found as total income is significantly higher for rural households that have access to off-farm income.

In addition, Dimova *et al.*, (2004) indicated that households' labour allocation decision merely depends on the productivity and respective wages in the two sectors (farm and off-farm). Households would be expected to engage in off-farm activity, whenever the wage received from off-farm activities exceeds the wage received for farm production. According to Bayissa (2010), the difference in wages from the two sectors should lead to an overall efficient allocation of labour into the most productive activities and this will result in a positive effect on the overall welfare of the rural community.

### **2.2.5 EVIDENCE OF DIVERSIFICATION**

A study conducted by Ellis (1999) reported and discussed the evidence of livelihood diversification and the extent to which rural households diversify. Empirical evidence from a variety of different locations suggests that rural households do indeed engage in multiple activities and rely on diversified income portfolios. In sub-Saharan Africa, a range of 30–50 percent reliance on non-farm income sources is common; but it may attain 80–90 percent in southern Africa. In south Asia, on average, roughly 60 percent of rural household income is from non-farm sources; however, this proportion varies widely between, for example, landless households and those with access to land for farming (World Bank, 2011). In sub-Saharan Africa reliance on agriculture tends to diminish continuously as income level rises, i.e. the more diverse the income portfolio, the better-off the rural household becomes. Elsewhere, a common pattern is for the very poor and the comparatively well-off to have the most diverse livelihoods, while the middle ranges of income display less diversity.

While reliance on non-farm income diversification is widespread in rural Africa, not all households enjoy equal access to attractive nonfarm opportunities. Reardon's (1997) review of the available data in Africa found a strong positive relation between nonfarm income share and total household income, and therefore an even more pronounced relationship between the level of nonfarm income and total income. The same holds true in general for household landholdings. Consequently, even in countries such as Rwanda, where farm incomes and landholdings are unequally distributed, those with the least agricultural assets and income are typically also least able to make up this deficiency through nonfarm earnings because they cannot meet the investment requirements for entry into remunerative non-farm activities (Barrett *et al.*, 2001).

Ellis (2000) noted that a capability to diversify is beneficial for households at or below the poverty line. Having alternatives for income generation can make the difference between minimally viable livelihoods and deprivation. Total income and the share of income derived from non-farm sources are often positively correlated. Different income sources may have strongly differing impacts on rural inequality. For example, unequal land ownership may mean that a policy focus on crop income favours the rich above the poor; however, greater access to non-farm wage income would have the reverse effect.

The environment is another factor which influences households to diversify, i.e. the growth of non-farm income sources might be expected to reduce the need for landless rural dwellers to carry out extractive practices in local environments for survival. On the other hand, for settled agriculturalists non-farm earning opportunities can result in neglect of labour-intensive conservation practices if labour availability is reduced. However, sustainable rural livelihoods need not equate with the sustainability of all components of underlying ecological systems due to substitutions that occur between assets during processes of livelihood adaptation over time (Ellis, 1999).



## CHAPTER 3: RESEARCH METHODOLOGY

### 3.1 STUDY AREA

The study was conducted in the Capricorn District of Limpopo province. There are four local municipalities within the District, namely; Blouberg local municipality, Polokwane local municipality, Lepelle-nkumpi local municipality and Molomole local municipality. The District is named after the Tropic of Capricorn which runs through it. The seat of Capricorn is Polokwane and majority of its 1 154 673 people speak Northern Sotho. The main economic sectors are as follows: Community services (30.9 percent), finance (27.6 percent), trade (14 percent), transport (13.2 percent), manufacturing (4.3 percent), construction (3.3 percent), agriculture (3.1 percent) and electricity (2.9 percent), CDM, (2016). The selection of the study area was based on the number of available livelihood opportunities harnessed by rural households.



(Source: CDM Spatial Development Framework, 2016)

### 3.2 DATA COLLECTION

Primary data was collected from a sample size of 216 households using questionnaires through interviews. A multi-stage and the simple random sampling techniques were used to select 8 villages out of a total of 45 main villages from the municipalities. The multi-stage sampling technique was used

in this manner, Stage 1: The Capricorn District Municipality was selected from a total of five Districts in Limpopo Province. Stage 2: The District has four municipalities. Therefore, all four were selected. Stage 3: Two villages were selected from each municipality respectively, which sums up to a total of 8 villages. The villages were selected based on the highest rate of poverty encountered. Stage 4: Twenty-seven (27) households per village were randomly selected from the chosen villages in stage 3, which sums up to 216 households which are required to conduct the study. The enumerators went to the selected households to administer questionnaires and each interview took approximately 15-20 minutes at least.

### 3.3 ANALYTICAL TECHNIQUES

- Descriptive statistics such as tables, frequencies, mean, charts etc., were used to analyse the socioeconomic variables, activities harnessed and challenges faced by the rural households in Capricorn District.
- The Foster-Greer-Thorberke (FGT, 1984) poverty index was used to determine the poverty status of rural households' and then categorise them into poor or non-poor given the general formula;

$$P\alpha = \frac{1}{n} \sum_{i=1}^q \left( \frac{Z - Y_i}{Z} \right)^\alpha$$

Where,

$P\alpha$  = weighted poverty index

$\alpha$  = FGT index and takes on the values of 0, 1 and 2.

If  $\alpha = 0$ , then FGT measures the incidence of poverty

If  $\alpha = 1$ , then FGT measures the depth of poverty

If  $\alpha = 2$ , then FGT measures the severity of poverty

$i$  = expenditure of the respondent

$Z$  = the poverty line

$Y$  = expenditure of the household

Z – Y = the poverty gap

n=total population

q= number of people who are poor

- The Probit Model was used to analyse the connection between livelihoods diversification on the poverty status of rural households.

**Probit Regression model general formula:**

$$Y^* = \beta_0 + \beta_1x_1 + \dots + \beta_nx_n + U_t$$

Where:

$Y^*$ – It is a binary response which takes two values i.e. 1 and 0

$x_n$ = explanatory variable

$\beta_0$ = intercept

$\beta_n$ = estimated parameters

$U_t$ = is the disturbance term

**Specific Probit Regression Model:**

$$Y = \beta_0 + \beta_1GNDR + \beta_2AGE + \beta_3M.STAT + \beta_4F.EDU + \beta_5HHS + \beta_6P.OCC + \beta_7EXPRNC + \beta_8INCM + \beta_9LD.INDX + \beta_{10}M.ASS + \beta_{11}CRDT + \beta_{12}RMTC + U_t$$

Y= Poverty Status,  $X_1$  =Gender of the household head  $X_2$  =Age of the household head,  $X_3$ = Marital Status of the household head,  $X_4$ = Years in formal education,  $X_5$ = Household size,  $X_6$ = Primary occupation,  $X_7$ =Experience,  $X_8$ = Income,  $X_9$ = Livelihood diversification index,  $X_{10}$ = Member of Association,  $X_{11}$ = Access to credit facilities,  $X_{12}$ = Remittances

**Table 3.1 Description of variables in the model**

Variables	Description of variables	Unit of measurements
Dependent: <b>Poverty status</b>	1- Poor, 0- Not poor (Poverty Status)	Dummy
<b>X<sub>1</sub>= Gender</b>	1- Male, 0- Female	Dummy

<b>X<sub>2</sub>= Age</b>	Age of the household head	Years
<b>X<sub>3</sub>= Marital status</b>	1- Married,0-Otherwise	Dummy
<b>X<sub>4</sub>=Years of formal education</b>	The years spent in school	Years
<b>X<sub>5</sub>=Household size</b>	The individuals in each household	Actual number
<b>X<sub>6</sub>= Primary Occupation</b>	1-Farming,0-Non-farming	Dummy
<b>X<sub>7</sub>= Work experience</b>	Years of work	Years
<b>X<sub>8</sub>= Income</b>	Monthly Income of household	Rands
<b>X<sub>9</sub>= Livelihood diversification index</b>	$\frac{\text{Activities engaged in by households}}{\text{Livelihood activities found in the study area}}$	Ratio
<b>X<sub>10</sub>= Membership of association</b>	1-Yes ,0- otherwise	Dummy
<b>X<sub>11</sub>= Access to credit facilities</b>	1-Yes ,0- otherwise	Dummy
<b>X<sub>12</sub>= Remittances</b>	1- Yes, 0-otherwise	Dummy

### 3.4 ETHICAL CONSIDERATION

#### 3.4.1 Permission

Permission to carry out the study was requested from the Turfloop Research Ethics Committee (TREC) prior its commencement.

#### 3.4.2 Informed Consent

The purpose of the study was fully explained to the respondents, their participation for this study was voluntary and they were free to withdraw from participation at any time if they did not feel comfortable. However, upon their

understanding, they were asked to sign a consent form as agreement to partake in this study. The information provided by the respondents was kept strictly confidential and used for the purposes of this study only.

#### 3.4.3 Confidentiality and Anonymity

In this study, confidentiality and anonymity of the respondents were taken into consideration. The respondents' real names were not mentioned in the study and the information they provided was only used for research or study purposes. The researcher informed the respondents before they agreed to participate in the study.

#### 3.4.4 Protection from harm

The researcher protected the identities of the respondents. Their privacy was also protected through anonymity.

#### 3.4.5 Respect

The researcher respected all respondents. Their indigenous health practitioners' secrets traits were also respected.

### **3.5 SIGNIFICANCE OF THE STUDY**

It was important to conduct this study so that much information is gathered on the strategies which rural households adopt to cope with poverty and to also understand the diversification patterns. The findings of the study also added to the available literature. Through this study, a thorough conclusion was made with regard to the livelihood diversification and recommendations were made on how the government can assist the rural households in improving their living standard.

## **CHAPTER 4: RESULTS AND DISCUSSIONS**

The aim of this chapter is to present the results from a descriptive analysis of socio-economic characteristics of respondents who diversify their livelihoods as a strategy to alleviate poverty in their households. The frequency tables and percentages are used to show the descriptive results and to address the first, second and fifth objectives of the study.

Secondly, this chapter presents the econometric analysis results of households that live either below or above the poverty line drawn for the study area which is R1832.45 using the FGT Poverty Index which addressed the third objective.

This chapter is concluded by the discussion of the binary Probit Regression Model results which addressed the fourth objective of the study.

### **4.1 SOCIOECONOMIC CHARACTERISTICS OF DESCRIPTIVE RESULTS**

Descriptive statistics described the features of the data in the research study. It provided a summary about the sample and the measures including the simple graphic analysis which forms a basis of every quantitative analysis of data.

Table 4.1 shows the summary statistics of the respondents in the Capricorn District. The average age of the respondents was found to be 41 years which indicates that a sizeable number of the respondents are still in their active and working age. The average years spent in school by the respondents was found to be 12.77. The assumption here would be that majority of the household heads in Capricorn District had secondary education since the years one spent to complete secondary school are up 12 years and 13, if an individual repeats a grade. The work experience (years) of the respondents revealed that the average years of occupation are 8.4 and the average income earned is R4158.22. This implies that even if majority of the household heads were to have different income sources, they would still rely on an income that is less R5000 per month regardless of how many members are in a household. Lastly, the average expenses spent on basic items such as electricity, education and groceries among other things is R2743.82,

according to the marginal propensity to save; households do not spend all their income on consumption, they save a portion of it.

**Table 4. 1 Summary statistics of respondents' socioeconomic variables**

<b>Variables</b>	<b>Min</b>	<b>Max</b>	<b>Mean</b>	<b>Std deviation</b>
<b>Income</b>	1500	60000	4158.22	4392.66
<b>Expense</b>	780	36400	2743.82	2640.00
<b>Age</b>	22	73	41	11.03
<b>Years spent in school</b>	1	20	12.77	2.23
<b>Experience</b>	0	30	8.4	5.55
<b>HHS</b>	1	14	5	1.50

Source: Authors' computation from survey data

## **4.2 DESCRIPTIVE STATISTICS OF RESPONDENTS**

The descriptive statistics show the socioeconomic characteristics results of households that are poor and not poor and also illustrate the extent to which households diversify their livelihood. Table 4.2 shows the distribution of socioeconomic characteristics of respondents that engage in various activities to alleviate poverty in their households. Out of a total of 216 households, 111 were found to be females whilst 105 are males. Therefore, it was found that most men generate income from various sources than women. The percentage of men and women who were found to be poor is 12.4 percent and 26.1 percent respectively and the percentage of men and women who are well-off is 87.6 percent and 73.9 percent respectively. The results also indicate that men go an extra mile to provide for their households. The findings are in line with the study conducted by Oluwatayo (2009) showing that men participate more in livelihood diversification.

The marital status of the respondents revealed that 6.5 percent of the respondents who were married and poor and 48.6 percent were found to be better-off. The respondents found to be single and poor were found to be 9.3 percent and 23.6 percent was found to be better-off. The respondents found to be divorced and poor were found to be 0.5 percent and 3.3 percent was found to be better-off. Lastly, the respondents found to be widowed and poor

were found to be 3.2 percent and 5.1 percent were not poor. The finding in the study of Munhenga (2014) supports the assumption that married respondents have more income coming into their homes. This might be true, especially if both the wife and husband are working. Respondents that are single are poorer than all other poor households (Iiyama *et al.*, 2008). This might be because they have a lot of expenses but have no one to share the cost with. Also, majority of them still take care of their parents and siblings which make it even difficult to have savings.

The educational level distribution of the respondents revealed that 4.2 percent have primary education, 29 percent have secondary education, 14.4 percent have ABET education and 33.3 percent have tertiary education. Majority of the respondents with secondary education diversify their income followed by the respondents with tertiary education. Those with tertiary education are more likely to be employed by the government than those with primary education and also their vast knowledge still allows them to have an upper hand even in the informal working environment (Barett *et al.*, 2001). The distribution also revealed that a sizeable number of all the respondents are not educated and this could possibly impact their poverty status (Ellis, 1999).

Respondents who are young, active and poor were found to account for 13.4 percent and 66.7 percent were better-off, while the respondents who are in their pension phase and are poor were found to be 6.1 percent and 13.9 percent was found to be better-off. This revealed that majority of the respondents that are engaged in various activities to increase income and alleviate poverty in their households are within their active phase and some are able to find better ways of surviving even if the price of food items continues to increase in the market. The findings of Oluwatayo (2009) also indicated that people who engage most in livelihood activities are still relatively young.

Households which consist of less than 7 members and are poor constitute 19 percent and those that are not poor accounted for 78.2 percent. Also, households with family members that are between 8 and 14 and poor were found to be 0.5 percent and those that are not poor made up 2.3 percent. The



average household size was found to be 5 which indicated that the more family members a household has, the need to increase their income to alleviate poverty will also be high.

**Table 4. 2 Socioeconomic variables of the respondents**

Variable	Poor	Not-Poor
<b>Gender</b>		
Male	13 (12.4)	92 (87.6)
Female	29 (26.1)	82 (73.9)
<b>Marital Status</b>		
Married	14 (6.5)	105 (48.6)
Single	20 (9.3)	51 (23.6)
Divorced	1 (0.5)	7 (3.3)
Widow	7 (3.3)	11 (5.1)
<b>Level of Education</b>		
Primary	8 (3.7)	9 (4.2)
Secondary	17 (7.8)	63 (29)
ABET	8 (3.7)	31 (14.4)
Tertiary	9 (4.2)	72 (33.3)
<b>Household Size</b>		
<7	41 (19)	169 (78.2)
8-14	1 (0.5)	5 (2.3)
<b>Age</b>		
20-49	29 (13.4)	144 (66.7)
50-75	13 (6)	30 (13.9)

Source: Author's computation from survey data

The results below (table 4.3) show the poverty status of the respondents using the FGT Poverty Index in the Capricorn District. The results show that

on the basis of gender, females who constitute 26.1 percent are poorer than males constituting 12.4 percent living below the poverty line (R1832.45 per month) generated for the study area. This implies that men are less vulnerable to poverty and are able to source more opportunities to generate financial rewards than women who are more likely to be taking care of their families instead of working. StatSA (2017) reported that in South Africa poverty bears the face of black women who are constantly trapped in the cycles of poverty. Therefore, if the poverty rate continues to increase most female-headed households are more likely to suffer.

**Table 4. 3: Poverty Status' Distribution of Respondents by Gender**

<b>Gender</b>	<b>Frequency</b>	<b>Poor</b>	<b>Percentage</b>	<b>Non-Poor</b>	<b>Percentage</b>
<b>Male</b>	105	13	12.4	92	87.6
<b>Female</b>	111	29	26.1	82	73.9
<b>Total</b>	216	42		174	

Source: Author's computation from survey data

Table 4.4 shows the distribution of livelihood sources by gender. It takes into consideration different livelihood activities engaged in by respondents and their respective percentage to determine which gender is dominant in which activity. The results revealed that men are dominant in farming as their primary occupation, civil servant occupation, taxi operator (driver) and other livelihood sources which account for 51.1 percent, 26.7 percent, 21.9 percent and 10.0 percent respectively. The results indicate that men dominate sectors (occupations) that require masculine strength. The table also revealed that women dominate in the following livelihood activities, street vendor, school cook and domestic work 19.8 percent, 17.1 percent and 7.3 percent respectively. Women dominate occupations which require less masculine strength and they are also part of their daily routine in their households.

**Table 4. 4: Distribution of respondents' livelihood sources by gender**

Livelihood source(s)	Male		Female	
	Frequency	%	Frequency	%
1. Farming	54	51.4	56	50.4
2. Civil Servant	28	26.7	25	22.5
3. Domestic work	7	6.7	8	7.3
4. School cook	0	0	19	17.1
5. Taxi driver	23	21.9	0	0
6. Street vendor	10	9.5	22	19.8
7. Fast food	12	11.4	12	10.8
8. Other(s)	34	10.5	30	27.2

Source: Authors' computation from survey data

The figures below show the different livelihood diversification activities harnessed by rural households in Capricorn District.



**Figure 4.1 Farming**

Source: Sehlobo (2018)



**Figure 4. 2 Civil Servant**

Source: Author



**Figure 4. 3 Domestic Work**

Source: Author



**Figure 4. 4 School cook**

Source: Author



**Figure 4. 5 Taxi Drivers**

Source: Limpopo Mirror (2018)



**Figure 4. 6 Street vendors**

Source: Author



**Figure 4. 7 Fast Food Outlets**

Source: Author

Table 4.5 shows the respondents' distribution of livelihood sources by poverty status. The results revealed that respondents that engaged in farming, civil servant occupation, taxi operating and other occupations are more likely to be better-off when compared to respondents who engage in domestic work, school cook, street vendor and fast-food outlets whose poverty status is deteriorating.

**Table 4.5 Respondents' distribution of livelihood sources by poverty status**

Activities	Poor	Not-poor
<b>1. Farming</b>	20 (9.3)	90 (41.7)
<b>2. Civil servant</b>	5 (2.3)	48 (22.2)
<b>3. Domestic work</b>	4 (1.9)	11 (5.1)
<b>4. School cook</b>	8 (3.7)	11 (5.1)
<b>5. Taxi driver</b>	1 (0.5)	22 (10.2)
<b>6. Street vendor</b>	14 (6.5)	18 (8.3)
<b>7. Fast food</b>	4 (1.9)	13 (6.0)
<b>8. Other</b>	5 (2.4)	47 (21.7)

Source: Authors' computation from survey data

#### **4.3 EMPIRICAL RESULTS OF THE RESPONDENTS' POVERTY STATUS**

Table 4.6 shows the effect of livelihood diversification on poverty. The study employed the Probit Model to examine the connection between poverty and livelihood diversification among rural households (depicted in Table 4.6). A number of factors which were considered to be possible correlates of poverty among the rural households in the study area were analyzed and the results

showed that the coefficients of gender, marital status, and years spent in formal education, household size, livelihood index and lastly, a member of association were significant factors. The results of the analysis are further discussed below:

The gender of the respondents was found to be significant at 10 percent and this indicates that gender influences the poverty status of respondents. The results are in line with the finding on the study of Lawal *et al.*, (2011) and further stated that male headed-household have a lower poverty probability than their female counterparts. Also, the FGT results revealed that 26.1 percent of women are poor than men at 12.4 percent, it implies that men have more livelihood sources than women. However, Ellis (1999) argued that it is possible for diversification to improve the independent income-generating capabilities of women and in so doing, also improve the care and nutritional status of children since a high proportion of cash income in the hands of women tends to be spent on family welfare.

The marital status of the rural households was found to be significant at 5 percent. This reveals that respondents that are married and have both partners working and earning an income have greater chances of improving their poverty status than those that are not married and/or depending on a single income. Munhenga (2014) stated that marital status of the household head is an important determinant that has to be assessed on households' choices of livelihood strategies. The descriptive results on the marital status variable (48.6 percent) also show that majority of the married respondents are not poor when compared with other respondents who are not married. The years of formal education was found to be significant at 1 percent. This implies that if a respondent has a higher education level, the opportunities to find more viable sources of livelihood to alleviate poverty in their household are greater compared to households that have spent a few years in school. Oluwatayo (2009) and Lawal *et al.*, (2011) also found the years of formal education as a significant factor in their respective studies of "Gender analysis of livelihood patterns" and 'Effects of livelihood assets on poverty of farming households in Southwestern, Nigeria' respectively. Descriptive results also

revealed that respondents with a few years of education are poorer than those with more years of education.

The household size was also found to be significant at 10 percent which implies that a unit increase in the household size would improve the household poverty status and also households with more family members have a greater chance of securing an increased level of income and alleviate poverty within their households than those with less family members. The findings of this study are in line with the studies conducted by Oluwatayo (2009) and Munhenga (2014), a large household size may lead to a low income per capita.

The livelihood index which consisted of the activities found in the study area and the activities harnessed by the respondents was found to be significant at 1 percent. The negative relationship shows that the more respondents, their household poverty status improves for the better. The assumption of this outcome is that a larger proportion of the respondents within this study area diversify their livelihoods as a strategy of increasing their household income and alleviating poverty. Studies conducted by (Ellis, 1999; Munhenga, 2014 and Oluwatayo, 2009) indicated that a larger proportion of the respondents were found to hold multiple jobs as a survival strategy of which most of them are dependent on off-farm income. Also, this indicates that households that have multiple incomes are better-off than those dependent on a single income.

Lastly, being a member of an association showed significance at 1 percent. When respondents are members of different associations, the likelihood of their poverty status improving is greater than those who are not members of any association, i.e. if and when opportunities are to be made available, members would be considered first. Variables that were found not to be significant are the age of the respondent, primary occupation and the work experience of the respondents. These variables were found to not have an influence on the poverty status of households in the study area.



**Table 4.6 Probit Regression results of the nexus between poverty and livelihood diversification of respondents**

<b>Variables</b>	<b>Standardized coefficient</b>
<b>Gender (X<sub>1</sub>)</b>	-0.069* (0.263)
<b>Age (X<sub>2</sub>)</b>	-0.002 (0.014)
<b>Marital Status ( X<sub>3</sub>)</b>	-0.024** (0.233)
<b>Years of formal education (X<sub>4</sub>)</b>	-0.001*** (0.045)
<b>Household size (X<sub>5</sub>)</b>	-0.011* (0.082)
<b>Primary occupation ( X<sub>6</sub>)</b>	-0.026 (0.269)
<b>Experience ( X<sub>7</sub>)</b>	-0.021 (-0.255)
<b>Diversification index(X<sub>8</sub>)</b>	-2.246*** (0.778)
<b>Member of association ( X<sub>9</sub>)</b>	-0.015*** (0.455)
<b>Constant</b>	0.008 (1.039)

Source: Authors computational data survey

Log-likelihood= -82.044257

R<sup>2</sup> = 0.78

\*\*\*=1% significance, \*\*= 5% significance, \*= 10% significance

Standard errors are in parenthesis

Table 4.7 shows the distribution of challenges faced by the respondents. The results revealed that 8.79 percent of the population was dependent on a single income and were poor. It also revealed that a larger proportion of the population was also dependent on a single income but was well-off. The table also revealed that there are more men than women who are dependent on a

single income in the study area. With regards to female-headed households, 3.70 percent was found to be poor and 11.11 percent was found to be better-off. The results also revealed that poor child-headed households accounted up to 3.70 percent. According to Mturi (2012), it was reported that orphans were absorbed by members of the extended family but recently this safety net no longer worked well and many children were left to fend for themselves. The results also showed that there are more male child-headed households than female child-headed households. However, the child-headed households which are well-off in the population made up 13.88 percent. With regards to the results, one can then assume that children in this criterion who are the households' heads have been absorbed by extended family members and had the privileged to receive an educational background and are therefore able to find better sources to improve their livelihood status. Lastly, table 6 showed that women have a lower household income than men. It also showed that 8.79 percent of the population that has a lower income was poor and those with a low income but well-off account up to 40.74 percent. This indicates that these households that are well-off were able to sustain their livelihood with their income.

**Table 4. 7 Challenges Distribution of Respondent by Gender and Poverty status**

Challenges	Gender		Poverty status			
	Male	Female	Poor	%	Non-poor	%
1. Dependent on single income	61	27	19	8.79	69	31.9
2. Female-headed household	0	32	8	3.70	24	11.1
3. Child-headed household	18	20	8	3.70	30	13.9
4. Low income	47	60	19	8.79	88	40.7

Source: Authors computational data survey

#### **4.4 CHAPTER SUMMARY**

Results of the descriptive analysis, FGT Poverty Index as well as empirical results were presented in this chapter. The regression analysis has shown that gender, marital status, formal education, growth in household size, activities harnessed by respondents, diversification index and association are some of the main driving forces towards livelihood diversification in the study area. Some of the common constraints to diversification in the study area were highlighted in this chapter.

## **CHAPTER 5: SUMMARY, CONCLUSION AND RECOMMENDATIONS**

### **5.1 INTRODUCTION**

This chapter summarised the findings of the study and concluded on the basis of the findings from econometric model analysis. The chapter discussed the extent to which objectives and the research questions were addressed by the analysis. This chapter is concluded by the recommendations on the basis of the results.

### **5.2 SUMMARY**

The study was conducted in 8 villages in the Capricorn District within Limpopo Province South Africa. The aim of this study was to examine the nexus between poverty and diversification of livelihoods and to analyse whether the different livelihood diversification strategies make rural households better-off or worse-off in the study area. The objectives were to identify and describe the socioeconomic characteristics of the rural households' in the Capricorn District, identify and describe the different livelihood activities engaged in by the rural households, examine the poverty status of rural households in Capricorn District, examine the nexus between poverty and the livelihood diversification of rural households and identify the challenges faced by rural households in combating poverty in the study area.

The multi-staged and simple random sampling techniques were used to collect data from a sample size of 216 rural households using a structured questionnaire. The research questions for this study were well addressed using the descriptive statistics, FGT Poverty Index and the Probit Regression Model. The study also found that 78 percent of the rural households in the Capricorn District Municipality are not poor because they diversify their livelihoods and live above the derived poverty line of R1832.45 per month

### **5.2 CONCLUSION**

As development scholars and practitioners pay increasing attention to the rural non-farm economy for a variety of reasons, our understanding of the effects of income and livelihood diversification behaviour among African rural households must likewise increase.

The study has found that a larger proportion of the rural households in the Capricorn District that hold multiple jobs as a means of survival are not poor and those that are poor rely on a single income. The study also found that livelihood diversification is used as a common strategy to alleviate poverty among rural households in the study area with majority of the livelihood sources being non-agricultural. However, even though most of the rural households have multiple income sources, there are some challenges which they are still facing that make a certain portion of the population vulnerable to poverty fluctuation rate. Therefore, with the results found, the study concluded that households that diversify their livelihood are well-off when compared to the households that do not diversify.

### **5.3 RECOMMENDATIONS**

Based on the findings, the study recommends that:

- i. Diversification of livelihood strategies needs to be strengthened in rural households in the study area (Capricorn District) because it improves the livelihood status of the rural households. Households should acquire more training on how to run successful businesses and engage on viable income generating sources.
- ii. Formal education should be promoted to increase rural households' participation in more sustainable livelihood options and offer better prospects for improving their livelihood.
- iii. Stokvels and cooperatives are important and popular aspects for building up savings and increasing the rate of development. Rural households can join them to diversify and increase the rate of productivity through stokvels.
- iv. Last but not least, Diversification of livelihood strategies needs to be strengthened among rural households.
- v. Government can also consider to adapt livelihood diversification as a strategy to achieving the two SDG goals namely; no poverty and zero-hunger.

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**ANNEXURE A: Questionnaire**

Questionnaire ID.....



**LIVELIHOOD DIVERSIFICATION AND POVERTY AMONG RURAL HOUSEHOLDS IN CAPRICORN DISTRICT, LIMPOPO PROVINCE, SOUTH AFRICA**

The aim of this study is to examine the nexus between poverty and diversification of livelihoods among rural households in Capricorn district, Limpopo Province, South Africa.

The information received from the rural households will be used for the purpose of this study and will be treated with confidence. The rural households will participate voluntarily and will not be forced or given false hope on the kind of remuneration for the information provided.

**Name of the enumerator** .....

**Date of data collection** .....

**Name of village/ Municipality** .....

**Name of respondent** .....

**Contact details** .....

1. Gender

Male	Female
1.	0.

2. Age of the household head( years)

3. Marital Status

Married	Single	Divorced	Widow
1.	2.	3.	4.

4. Level of education

No education	Primary	Secondary	ABET	Tertiary

4.1 Years of schooling

5. Household size

6. Primary occupation

Farming	Non-farming
1.	0.

6.1 If farming, what kind of farming are you engaged in?

Livestock	Crop
1.	2.

7. Secondary Occupation

If non-farming, what kind of activities are you engaged in?

Civil servant	Domestic work	School cook	Taxi driver	Street vendor	Shoe repair	other

7.1 If other please specify.....

8. Years engaged in your occupation?

9. Do you have access to formal credit/funding for the business

Yes	No
1.	0.

9.1 If yes, which financial institution is responsible for the funding

.....  
 .....

9.1.1 How long has it been funding the business (years)

9.2 If no, have you tried to apply for SMME funding from the government/ financial institution?

Yes	No
1.	0.

9.2.1 If yes, was the application successful

Yes	No
1.	0.



9.2.2 If no, what are the reasons for declining the application being?

.....  
.....

9.3 If you have never applied for any funding, what are/were the reasons for not applying?

.....  
.....  
.....

10. Are you an affiliated member of any association?

Yes	No
1.	0.

11. How much is your estimated monthly income (Rands)?

11.1 List of expenses (Rands)?

	Daily	Week	Monthly
Food			
School			
Health			
Housing			
Water			
Electricity			
Transport			
Communication			
Other			

11.2 If other specify.....

11.3 Total Expenses

11.4 Do you have any other source of Income?

Yes	No
1.	0.

11.5 If yes, specify.....

12. Challenges which you face within your household?

Dependent on a single income	Female headed household	Child headed household	No income at all	Other
1.	2.	3.	4.	5.

12.1 If other, specify.....