ASSESSMENT OF RURAL-URBAN ECONOMIC LINKAGE: THE CASE OF HOSANNA TOWN AND ITS HINTERLAND

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This is to certify that the thesis prepared by **Tamirat Sulamo**, entitled: **Assessment of Rural-Urban Economic Linkage: The Case of Hosanna Town and its Hinterland** and submitted in partial fulfillment of the requirements for the degree of Degree of Master of Art (Urban development and Management) complies with the regulation of the University and meets the accepted standard with respect to originality and quality.

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Abstract

Assessment of rural – urban economic linkage: the case of Hosanna Town and its hinterland

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Addis Ababa University, June 2012

Rural and urban peoples are becoming increasingly multidimensional and multi-local in present times and rural-urban linkages are receiving better attention in the regional and local economic development discourse. However, Ethiopia is characterized with weak rural – urban linkage due to different factors. Moreover, there is research gap in thematic and spatial coverage. The main objective of this research is to assess the existing nature of rural – urban economic linkage in Hosanna town and its hinterland. To achieve the objectives, data were collected from rural and urban households, traders, and officers through questionnaires, interviews and observations. The gathered data were analyzed using descriptive statics frequencies, ranks and qualitative analysis.

Findings of the study indicated difference between hinterland farmers and their urban counterparts to recognize and identify pertinent challenges that hamper to rural – urban linkage. The hinterland farmers indicated shortage of land, subsistence agriculture, lack of market facilities and shortage of farm inputs as main challenges. Urban households on the other hand identified, price fluctuation, lack of market facilities, inflation, lack of agro-processing industries and subsistence nature of agriculture as a main challenges.

The study has identified weak and partial backward linkage while forward production marketing linkage is almost non-existent. The only linkage found relatively strong is consumption linkages. The hinterlands have shown limited marketing linkages in the sales of rural products in the town. The main products brought to the town are wheat and teff. In addition, finical linkage is very weak and informal financing is the most important in the study area. Among ten variables, shortage of land is the first problem that affects agricultural production in the hinterland. Finally, it is recommended that a joint effort is needed from all concerned stakeholders to mitigate the challenges in order to promote mutual development in the study area.

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List of Acronyms

ACORD	Agency for Co-operation and Research Development
ADLI	Agricultural Development Led Industrialization
CSA	Central Statistical Authority
DANIDA	Danish International Development Agency
EC	Ethiopian Calendar
ECSC	Ethiopian Civil Service College
EDO	Environmental Development Office
EEPCO	Ethiopian Electric and Power Corporation
ETC	Ethiopian Telecommunication Corporation
FAO	Food and Agriculture Organization
FDRE	Federal Democratic Republic of Ethiopia
FGD	Focus Group Discussion
GIS	Geographic Information System
HCAMO	Hosanna City Administration Municipality Office
HFEDB	Hadiya Zone Finance and Economic Development Bureau
MFI	Micro-Finance Institute
MSEs	Micro and Small-Scale Enterprise
MW	Mega Watt
MWUD	Ministry of Works and Urban Development
NGO	Non-Governmental Organization
NUPI	National Urban Planning Institute
OSSREA	Organization for Social Science Research in Eastern and Southern Africa
PASDEP	Plan for Accelerated and Sustained Development to End Poverty
RUL	Rural-Urban Linkages
RUML	Rural-Urban Marketing Linkages
SACC	Saving and Credit Co-operative
SNNPR	Southern Nation Nationality People Region
SPSS	Statistical Package for Social Science

UNDP	United Nation Developmental Program
UNPD	United Nation Population Division

General notes

- According to the Ethiopian naming system, for Ethiopians, first names are given in the citations of the text; while first names followed by father's name are given in the reference. In the reference, both first and father's names appear in full for easy identification of the author by both Ethiopians and other readers.
- To protect the identification of informants, names are they are referred using office positions.
- The exchange rate of one USD is about 17.633 Birr in the time of the study.

CHAPTER ONE

1. Introduction

1.1. Background of the Problem

Development policy and related studies have used to a narrowed concept of rural and urban areas, defining rural as more remote farming areas and urban as crowded cities. Largely, this view has smoothed the progress of the isolated treatment of issues shocking each space (Braun, 2007). Likewise, most development theories and practices are implicitly based on the dichotomy between rural and urban area. Urban planners typically focused on urban nodes and giving limited attention to rural development, at the same time rural development planners tend to ignore urban center and describe rural areas as consisting merely of villages and their agricultural land (Tacoli, 1998). Consequently, this replicates the different attention in practice and policy (Tegegne, 2005).

The world have adopted different development paradigm[1] with constant change of their concentration on assumption of attaining development. In 1960s, many countries subscribed to the urban and industrial development to foster development in developing countries. However, in 1970s, the proposed trickledown development paradigm has changed to rural development strategies called integrated rural development strategy. This is because of malfunction of urban and industrial development paradigm to realize preserved development in rural area by trickledown effect. Integrated rural development strategy of 1970s then also failed simply because there was neglected urban dimension in development process (Tegegne, 2005).

In general, any planning of urban or rural area in isolation could not provide complete solution to the problem. Further, the situation necessitated rural-urban linkages as an essential factor that determines both spatial units' economic growth and sustainable development in contemporary world (Kumar, 2003; cited in MWUD 2009). The world accepted rural-urban linkage as a key component in rural transformation and an important

1 "*Development paradigm: defined as modality or path to follow to achieve development, based on a codified set*" (Brundtland, 1987).

step towards industrial growth. Post-Keynesian development theory[2] has recognized the central role of inter-sectoral linkage between agricultural and non -agricultural activities to bring about agricultural growth and agrarian transformation (Getnet and Mehrab, 2010; Muladem, 2009). As a result, the world changed the development paradigm to mutual development of both urban and rural area through rural-urban linkage. The reason for this is that urban and rural areas supporting each other. For instance, urban localities are serve as a center for exchange and distribution of goods, services, row materials, industrial output, ideas, knowledge and the like for both urban and rural residences and rural areas are also the source of raw materials, suppliers of food and related items, labor forces and so on (Tegegne, 2001). This rural-urban relation is designated as a virtuous circle of rural-urban development. In addition, it is assumed as basis of regional development strategies (Evans, 1992). According to Caffyn and Dahlstrom (2005), cited, Muladem, 2009) rural – urban interdependencies and linkages are becoming increasingly important, particularly in relation to the concept of sustainability and sustainable development. They demanded that the knowledge about links between urban and rural areas to promote sustainable development.

Rural-urban linkage is a development concept that believes on mutual relationship between urban rural areas to sustain development. According to Evans (1992), cited in Tegegne (2001), the virtuous circle model[3] of 1980's and 1990's be able to fit to describe the rural-urban linkage particularly economics linkage between agriculture and urban activities. Hindernk and Titus (1988); cited in Tegegne (2001) argued that rural-urban

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2 Post Keynesian a term refers to a distinct school of economic thought by Eichner and Kregel (1975) and by the establishment of the Journal of Post Keynesian Economics in 1978.

6 "The 'vicious circle' model stresses that towns have a positive impact on rural hinterlands by developing markets for inputs and by supplying extension and production credit all of which lead to a rise in productivity. Increased income generates demand for urban manufactured and urban-marketed consumer goods as the goods and services constituting rural demand become 'urbanized'. This then increases urban demand for labor that is met by rural-urban migration. The rise in urban income leads in turn to rising demand for superior and income elastic consumer goods that are supplied to the rural sector as it diversifies into rural non-farm activity" (Rondinelli, 1984).

linkage emanates from two spatial unit: such as urban and rural areas that could be visualized through impact of urban center on rural areas and impact of rural on urban and non-agricultural activities.

Tocoli (2005) also proposed linkage between two spatial units through movement of goods, people, finance and other social transaction to boost development. According to UNDP (2002), cited in MWUD (2009), rural-urban linkage is a need to spread opportunity for livelihood and to sustain development in both spatial units. Rural-urban linkage can be synergy whilst urban area is able to provide industrial product for rural area as well as rural area provide food item and others for urban areas (Tegegne, 2005).

1.2. Statement of the Problem

Ethiopia remains one of the agriculturally dominated and least urbanized countries in the world whose vision for development relies on rural progress (MWUD, 2002). In the past, attempts to augment the efficiency of agriculture and bring about countryside development have focused on the structural sectoral problems such as land tenure, lack of input, inadequate and fragmented farm size, pricing and overall macro-economic policy of the country (Arbessen, 1989, Tesfaye, 1989, Fassil, 1977; cited in Tegegne,2001). It is argued that the policies were narrowly focused because price changes, institutional and technical innovation alone will not convey the desired change if not there is linkage between agricultural and industrial sector. Further, such measures cannot serve as solution if farmers face other major obstacles in marketing their products due to lack of demand or access to markets, lack of access of supporting services and off-farm opportunities[4]

In contrast with the above, current development paradigm is focused on promoting rural-urban linkage as crucial element for the symbiotic development between urban and rural areas. However, weak rural-urban linkage is deep-rooted problem in Ethiopia and had not gain room in previous policies and strategies of development. Moreover, there was lack of balanced rural-urban development policy. As a result, development strategies of

[4] (Tegegne,2001),Ibid

Ethiopia have been failed to integrate urban and rural areas. Moreover, this has leaded to rural-urban inequality and rural impoverishment (Assefa, 2006) due to policy gap during consecutive government (Imperial, Dergue and FDRE). For instance, successive plans of Imperial regime did not consider the issue of rural-urban linkages to uphold the inherent interdependence between the two spatial units for mutual development (Muladem, 2009). Similarly, during Dergue[5] regime, development strategies lacked integration between urban and rural area in coordinated manner[6]. At the beginning of FDRE, the developments strategy called ADLI, which was adopted on the premises to increases agricultural production and inter-sectoral linkage to stimulate industrialization (Tegegne, 2005) unable to create linkage between rural and urban areas (Backer,1992; Tegegne, 2003).

As a result, Ethiopian government designed a new plan called Plan for Accelerated and Sustainable Development to end Poverty (PASDP) in 2005. Although PASDEP is seen as good policy framework to put specific strategy to rural-urban linkage, as one intervention area (MWUD, 2005), is still underdeveloped in Ethiopia (Assefa, 2006). Further, Ethiopia is labeled under the category of developing countries that are with low level of rural-urban linkage.

Braun (2007) argued major rural-urban disparities continue to exist across the developing countries; rural inhabitants do not have the same level of access to social services, infrastructure as their urban counterparts, further perpetuating existing inequalities. Eastwood and Lipton (2004) also argued that major inequalities between urban and rural areas is continued to exist as a result of adverse terms of trade between agricultural and non-agricultural product prices as well as urban biases in government spending on services, and physical infrastructure across the developing countries.

Likewise, Tegegne (2006) argued that form, spatial pattern and extent of rural-urban linkage in Ethiopia not reached at desirable stage due to the subsistence nature of

[5] Also spelled *Derg* Committee (in *Geez*, ancient language of Ethiopia)

[6] (Muladem, 2009),Ibid

agriculture, lack of participation of the private sector in input distribution, limited interest of the formal banks in financing rural people. Tegenge (2005) also identified several factors that have contributed divide between urban and rural leading to weak rural-urban linkage in Ethiopia. Among these, the process and pattern of urbanization (being urban centers evolved as political, military and administrative centers rather than as a center of economic activities), lack of balanced rural-urban development policy, land tenure policy and land size and lack of entrepreneurial outreach to farming and agricultural are pointed as main factors that underlying weak rural-urban linkage.

Agriculture is the most primary economic activity in Hadiya zone[7] for which Hosanna town is Zonal capital. Nevertheless, it is traditional way of farming and most crops grown in the zone are in subsistence level for domestic consumption by rain-fed farming system. Crops grow only in main cropping seasons, the 'meher' and 'belg'; farmers are practicing traditional ways of farming. As a result, they are forced to produce lower agricultural output. Most farmers in the zone do rear livestock but shortage of grazing land makes large proportion of them to keep only a few and increasing livestock mortality. The shortage of cultivable and grazing land in combination with poor cultivation methods, shortage of modern farm inputs and other problems often mate a rural population of Hadiya food insecure (Solomon, 2008;HFEDB, 2010). These problems have direct relationship with rural – urban linkage (Tegegne, 2001).

According to Solomon (2008), most people living in the rural areas are facing serious social economic hardships. He also identified problem of food insecurity, which plagues the rural population, is also main issue of Hosanna town. Although Hadiya Zone have witnessed a marked rise in the share of government budget allocated for the development of social services and rural development, it displays some of the lowest indicators of socio-economic development by Ethiopian standards[8]. Despite road network are channels for distribution of goods and services, there is inadequacy to link the Hosanna town with

[7] An administrative unit, one level higher than *Wareda*

[8] (Solomon, 2008), Ibid

the surrounding rural area. The existing roads are not all – weather. Consequently, it is usual to see misery of patrons due to the lack of transportation to its hinterland and Woreda towns during rainy season.

Above discussed literatures are confirmed that there is weak rural – urban linkage and unbalanced development polices and strategies between rural and urban areas. There were, however, very limited studies that deal with the type, nature and magnitude of rural-urban linkages in Ethiopia.

Generally, rural-urban economic linkage is supposed as measures to solve problems of rural and urban livelihood, and stimulate development by distributing resources between the two special units. However, Ethiopia has weak rural – urban linkage due to several factors: unbalanced development polices and strategies between rural and urban areas; policy gap in consecutive governments to contain rural – urban linkage as an intervention area. Besides, the county has very limited studies that deal with the type, nature and magnitude of rural-urban linkages. Moreover, there is no conducted study in the topic rural – urban economic linkage in Hosanna town and its hinterland except one on 'The Role of Remittance and Return Migrant on Urban Growth and Rural-Urban Linkage" by Abinet (2010). However, the approach of this study to investigate the problems is different from assessing pattern and magnitude of rural urban linkage. Therefore, detail study about the rural-urban linkage in Hosanna and its hinterland is decisive.

1.3 Research Questions

The Specific research questions are:

1) What is the extent of flow of agricultural goods, industrial goods and services, movement of financial capital and inter-sectoral flow of goods and financial services?
2) What is nature of households demand for urban goods and services and how much this met by town in the study area?
3) What is the nature of farmers' demand for agricultural input? Where do they obtain their input?

4) How finical services are working in loan distribution for rural areas?
5) How the agricultural sector and industrial sectors help each other?
6) What are the factors that affect marketing, financial and inter-sectoral linkages between Hosanna and its hinterland?
7) What policy and program interventions are needed to forge dynamic links between businesses, sectors, and geographic areas?

1.4. Objective of the Study

1.4.1. General Objective

The study seeks to assess the nature and magnitude of rural-urban economic linkages in Hosanna Town and its hinterland.

1.4.1.1. Specific objectives of the study

The Specific objectives of the study are:

- To assess economic characteristics of the Hosanna town and its hinterland;
- To identify existing patterns of rural-urban economic linkage between Hosanna and its hinterland;
- To assess determinants of rural-urban economic linkages between Hosanna and its hinterland;

1.5. Scope of the Study

Rural-urban linkage is a broad concept, which consists of numerous interactions but the thematic scope of this study is restricted to the particular topic: assessment of rural-urban economic linkage although the dimensions of rural-urban linkage are complicated and the spatial units interact. Furthermore, rural-urban economic linkage in the study consists only marketing, financial and inter – sectoral linkages.

The spatial scope of the study is limited to Hosanna town and its hinterland that fall within 12 km radius around the town although the rural-urban economic linkages is not limited to12kms radius. Besides, the study has used only eight kebeles (four rural and four urban kebeles) for the survey. In addition to these, spatial pattern of economic

linkage may vary across the study area i.e. intensity of the linkage may vary with difference in proximity to the town. The study, however, is more superficial in this regard.

1.6. Significance of the Study

Mutual development of urban and rural areas is the favored development approach in any nations. Such development could be fostered through rural-urban linkage and it is becoming an ideal development strategy in current world to realize speedy, unbroken and sustainable development. Therefore, knowledge of the nature, magnitude and factors of rural – urban economic linkage in the study area could give clues:

- To give insight about the nature of rural – urban economic linkage and portray light on developmental impact of rural – urban economic linkage
- To indentify the challenges of rural – urban economic linkage to propose some recommendation to exploit the development potentials of rural and urban areas
- To offer an input for policy makers, NGOs, and other stakeholders who are interested in the development of the town and its hinterland.

In addition, the study may serve as a springboard for future studies since there is no similar study that has been conducted in the study area.

1.7. Limitations of the Study

This paper considers some limitations because research works are constrained by various factors in one way or another. For instance, since Hosanna town is relatively large and old aged, influence of the town on rural economy and activities (rural – urban economic linkage) may not be limited to 12km. However, this study failed to assess data beyond 12 km radius due time and financial constraint. Another limitation for the study is that the respondents might not give frank information because their perception for some variables such as income, number of livestock and other assets might be negative. Therefore, there is a doubt that the respondents might have given genuine information for some sensitive

questions. As a result, the all obtained responses may not be perfect. In spite of this fact, the study has analyzed the impact of some few variables assumed to meet the objective.

1.8. Organization of the Thesis

The thesis is organized in to five chapters. The first chapter introduces the whole research matter, more specifically, the background of the problem, problem statement, research questions, objectives of the study, scope of the study, significance the study and limitations for the study. Chapter two deals with literatures review: lays out the theoretical basis of the research. The third chapter describes the study area, methodology used to assess the problem or the methods used to tackle the research questions and analytical framework for the study. Chapter four discusses the findings of this thesis covering descriptive and qualitative analysis of the survey data. The final chapter, chapter five provides summary, conclusions and recommendations for the study.

CHAPTER TWO

2. Literature Review

2.1. Definitions of Terms

2.1.1. Urban and Rural Areas

Many countries have defined the term rural/urban, but seldom these definitions in agreement. Criteria that used to classify urban and rural areas widely among different nations and this makes difficult to generalize (Tacoli, 1998). The criteria used to define the two units include population size and density, and availability of services such as secondary schools, hospitals and banks. However, the combination of criteria applied can vary greatly. Even the population thresholds used can be different: for many African nations, it is 5,000 inhabitants, while for most Latin American and European nations it can be as low as 2,000 or 2,500 or even just a few hundred inhabitants (DANIDA, 2000).

In censuses and other similar statistical exercises, rural and urban populations are usually defined by residence in settlements above or below a certain size; agriculture is assumed the principal activity of rural populations whereas urban dwellers are thought to engage primarily in industrial production and services. In reality, however, things tend to be far more complex: the ways in which nations define what is urban and what is rural can be very different. The boundaries of urban settlements are usually more unclear than portrayed by administrative delimitations, especially when towns' use of rural resource is considered. Population movement, especially temporary and seasonal migration, is not usually reflected in census figures and can make enumerations of rural and urban populations unreliable. Generally, a large number of households in urban areas tend to rely on rural resources, and rural populations are increasingly engaged in non-agricultural activities (Tacoli, 1998).

Therefore, the definition of urban and rural is subjected to the criteria and will of respective countries. The main thing to understand is that the definition of urban/rural does not have anything to do with the boundaries of incorporated places. Some territory inside an incorporated city or town can be rural instead of urban.

In Ethiopia, population size is used as a criterion to distinguish urban areas from its rural counterparts. Accordingly, all areas having a population of 2000 and above are classified as urban centers (Tegegne, 2005).

2.1.2 Hinterland

Hinterland or an area of influence is the adjacent area around a city from where people commute to the city to obtain certain goods and services (Ramchandran, 1989). Literally, the concept of hinterland is an area of land next to a city or area along a coast. In ancient times, a city was emerged as a result of surplus production of food and other necessities of life in the hinterland. Through time, this straight forwarded and one-way relationship developed in to interwoven ones in which rural areas mainly provide primary products like foods, fire wood and unskilled labor while the country sides depends on the city for service like medical or educational facilities or entertainment or shopping etc. The intensity of the interaction between a city and a villages decline rapidly with distance from the city and this are called distance decay. As a result, hinterland or an area of influence is owed as a new concept in the two spatial units.[9]

2.2 Theoretical Framework

Urban and rural areas are two separate spatial units but they are part of the whole economic system without their link development may not be achieved. The rational is that the two spatial units have their own role on each other. Rural-urban interaction is a current issue involving the exchange of goods and services, people, information, and money (Solomon and Mansberger, 2003).

In this thesis, theoretical perspectives are used to explore the theoretical threads within the research carried out on the assessment of rural-urban linkage in general, economic linkage in particular. The theoretical perspectives in this research are starting points for inquiries that can help us illuminate the world, we visit and generate new theoretical insights. The theoretical based qualitative research permits the researcher to study the assumptions,

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[9] (Ramchandran, 1989), Ibid

questions, and logic of the theorists' perspectives in the light of the observations made through the research (Charmaz, 2004).

2.2.1 Concepts of Rural-Urban Linkage

Rural-urban linkage is a new development approach, contemporaneously referred to as the 'rural-urban linkage development perspective', that recognizes the existence of economic, social and environmental interdependence between rural and urban areas for balanced and mutually supportive development of both ends as a continuum (UN-HABITAT, 2005). The concept of rural-urban linkage originates from two spatial units: urban centre and rural areas (Tegenge, 2001). Rural-urban linkage originates from urban centre is foreseeable through the impact of urban centre on rural areas. The core paradigm in this thought is that the functional regional development that believes the development of regions as a function of national development (Tegenge, 2001). According to Hinderink and Titus (1988), cited in Tegenge (2001), the functional regional development obtain the expression in two major strategies namely, growth centre strategies and rural services centre strategies.

The growth centre strategy is resulted from growth pole theory[10] and supposed an urban industrial expansion in few selected growth centers with the hope of the spread effects for modernizing rural areas. The rural service centre strategy on the other hand focuses on small centers for their own development and that of the hinterland. These rural service centers are considered as engines of growth. Their development as market and service centers facilitates to increase the productive capacity of the rural producers and encourages the commercialization and specialization of agriculture in the framework of national economic growth (Hinderink and Titul, 988; cited in Tegegne, 2001). Other relationships of the service centre and the hinterland involve consumer goods and social services. The rural population is considered as a market for manufactured goods (Funnel, 1976; cited in Tegegne, 2001).

10 The core idea of the growth poles theory is that economic development, or growth, is not uniform over an entire region, but instead takes place around a specific pole. This pole is often characterized by a key industry around which linked industries develop, mainly through direct and indirect effects. The expansion of this key industry implies the expansion of output, employment, related investments, as well as new technologies and new industrial sectors

The second type of linkage in the rural-urban relation is foreseeable through the impact of rural areas on the urban centers and on non-agricultural activities. The principal position of the case is that under certain circumstances, a boom in food grain production would encourage growth in agriculture-associated segments (trade, transport, services, etc.) and conveys industrial spreading out (Dunham, 1991).

2.2.2 The Evolution of Rural-Urban Linkage Concepts and Theory

The evolution of the concept of rural-urban linkage had taken log time to come up with the contemporary vicious circle concept. According to Lynch (2005), the evolution of rural-urban linkages dated back to the time of ancient civilization in the Middle East. In 1826, J. H. von Thünen used a model of agricultural land use to show how market processes to determine land use in different spatial locations, and particularly, how land use is a function of the transport costs to markets and the farmer's land rent. In other words, he undertook classical analysis of the spatial allocation of economic activity. His model generated concentric rings of agricultural activity around a central city, with dairy and intensive farming closest to the city, followed by timber and firewood in the second circle, grain production in the third, and finally, ranching and livestock activities in the fourth circle (Von Braun, 2007)

In 1933, Walter Christaller come up with another idea and developed the central place theory to explain how urban settlements are formed and spaced out. The central idea of Christaller's theory was that if the centralization of mass around a nucleus is an elementary form of order, then the same centralistic principle could be equated in urban settlements (Agarwal, 2007; cited in Braun, 2007). His model, later refined by Lösch (1954), predicted an urban hierarchy of human settlements around hexagonal shapes (the hexagon being the geometrically closest approximation of efficient ways to travel between the settlements), with varying sizes of centers. According to Lösch, the type of goods and services provide determines the size of the center. Lösch said that larger settlements provide 'higher order' goods and services. Provision of 'higher order' goods and services make the number of service provider fewer in numbers and require a large market both in terms of income and population and are therefore more specialized. At the

same time, smaller settlements provide 'lower order' goods and services. In this framework, since some of the demand for the goods produced in the centers (such as manufacturing) comes from peripheries, productions are tied with agricultural land distribution (Krugman 1991; cited in Braun, 2007).

Generally, the early models were based on strong assumptions such as homogeneous spaces, uniform consumer preferences, and proportionality of transport costs to distance. Though the models cannot be applicable to real world, they do clarify the gradual nature of the differentiation between urban and rural areas (Braun, 2007).

2.2.3 Debate on Rural – Urban Development Theory

The debate concerning the linkages between urban centers and their rural hinterlands has affected development theory and planning over the past. Planning models based on the extraction of surplus rural labor to facilitate urban industrial growth were obsolete by views that urban growth was occurring at the expense of the rural hinterlands (Douglass, 1998).

During the immediate post-war period, most governments encouraged urban development. Until 1960s, the mainstream development theory of modernization[11], which originally arose in post second world war period and had become dominant form of development analysis in the 1950s and 1960s, emphasized on industrialization and was closely associated with urban growth as the engine of economic and social development (Slater, 1986). The rural population was mainly perceived as a labor reservoir for industry and commercial farms. Rural development was promoted only to the extent needed to reproduce labor, and later to stem the exodus of rural poor to the cities. The less extreme interpretation was the 'trickle down' perspective, according to which the modern and

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11 "*Modernization theory, which originally arose in post second world war period. As per of this theory, under development was coined with traditionalism and backwardness where as development was perceived in terms of the desertion of these features for the acceptance of the modernity of western countries. Modernization theory advocates that change from traditional to modern was to occur through the diffusion of capital, technology, values, and institutional arrangements and political believes from the west to the traditional societies*" (Slater, 1986).

mostly urban sector eventually would penetrate and transform backward rural areas (Douglass, 1998).

The development assumptions of this growth model were severely critiqued by the dependency school[12] of the 1960s and 1970s. This theory argued that the growth of urban centers was based on the exploitation of rural areas, which prevented them from taking advantage of their own development potential. It is argued that the theory leads to underdevelopment rather than growth. For this end, Michael Lipton (1977) presented, on his 'urban bias' thesis that the tariff, trade, taxation and sector investment policies pursued by most governments had deprived rural areas of resources and infrastructure. This thesis became mainstream development thinking in the 1970s and 1980s. First, across the East-West divide, the international community formulated a rights-based approach to human welfare, as reflected in the UN Covenant on Economic, Social and Cultural Rights. This was supported by the doctrine of 'basic needs', which held that the international community was responsible for ensuring universal coverage of primary social services. This implied that the needs of a rural person no longer had less priority than those of an urban person. Simultaneously, development researchers advocated the role of the agricultural sector as the engine of growth in developing countries. In this perspective, the picture is reversed: urban development is seen as contingent on rural development (S.Corbridge and A. Jones, 1992)

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12 "*Dependency theory is a body of social science theories predicated on the notion that resources flow from a "periphery" of poor and underdeveloped states to a "core" of wealthy states, enriching the latter at the expense of the former. It is a central contention of dependency theory that poor states are impoverished and rich ones enriched by the way poor states are integrated into the "world system." The theory arose around 1970 as a reaction to modernization theory, an earlier theory of development which held that all societies progress through similar stages of development, that today's underdeveloped areas are thus in a similar situation to that of today's developed areas at some time in the past, and that therefore the task in helping the underdeveloped areas out of poverty is to accelerate them along this supposed common path of development, by various means such as investment, technology transfers, and closer integration into the world market. Dependency theory rejected this view, arguing that underdeveloped countries are not merely primitive versions of developed countries, but have unique features and structures of their own; and, importantly, are in the situation of being the weaker members in a world market economy, whereas the developed nations were never in an analogous position; they never had to exist in relation to a bloc of more powerful and economically advanced countries than themselves. Dependency theorists argued, in opposition to free market economists and modernization theorists, that underdeveloped countries needed to reduce their connectedness with the world market so that they can pursue a path more in keeping with their own needs, less dictated by external pressure*"(Slater, 1986).

The recent ideas in development field in general and in the regional planning in particular are focuses on bringing the rural and urban development potential together in the planning process (Douglas, 1998; cited in Tegegne, 2005). The point of departure is that the recognition that urban and rural developments are reinforcing. This becomes very explicit when one recognizes the fact that for every role a city has, there is a corresponding role played by the hinterland. For instance, towns serve as regional and extra-regional market centers for agricultural and rural commodities[13].

This, however, requires a significant level of marketable surplus without which market functions do not exist. Agricultural intensification in rural area requires agricultural support services from urban areas such as production of inputs, repair services, information on production methods (innovations) etc. Increased rural income and demand for non-agricultural goods lead to non-agricultural consumer market, processed agricultural products, private services, public services such as health, education, administration etc. Agro-based industries in towns presuppose the existence of raw material production and agricultural diversifications (Douglas, 1998; cited in Tegegne, 2005).

2.2.4 Dimensions of Rural – Urban Linkage

Literatures on rural – urban linkages (RULs) exhibits that there are different forms of linkages based on objective, scope and nature of the studies. According to Mush (2005), RULs divided in to two broad categories: spatial linkage and sectoral linkage. A spatial linkage includes Physical linkages, economic linkages, population movement linkages, social linkages, service delivery linkages, and political and administrative linkages (Rondinel and Rundle, 1976 cited: in Ndegwa, 2005). Sectoral linkages: consumption linkages, forward production linkage and back ward production linkages (Bagachwa and Stewart, 1992). For the purpose of this study damnations of rural-urban linkage, therefore categorized in to economic linkage, service linkage, demographic linkage, physical(spatial) linkage, environmental linkage ,and tourism linkages (MWUD,2009).

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[13] (Tegegne, 2005), Ibid

Economic Linkage

An economic linkage mostly comprises marketing linkage, financial linkage, and inters – sectoral linkages. Urban and rural areas are linked by the exchange of unprocessed and processed products with both areas performing as marketing for each other (MWUD, 2009). The economic aspects of the linkages are related with livelihoods diversification and production (Baker and Pederson, 1992).

Urban areas smooth the progress of extractive methods in rural areas and rural areas facilitate manufacturing in urban areas. Selling of goods and services produced in one settlement to another marks, trading and commercial relationships between towns and the surrounding rural areas are means of livelihood for both urban and rural communities (Tostensen, 2004).

Service Linkage

Service linkage is manifested by access to different services where urban centers grant a central location for catering, milling, administrative, and medium and higher education and health services, banking, telecommunication, transport services for agricultural producers within their hinterland (MWUD, 2009).

Demographic Linkage

Rural and urban areas linked by rural to urban and urban to rural migration in which labor is the major flow of resource between rural and urban areas (MWUD, 2009). Ndegwa (2005) pointed that migration of people from rural to urban areas or urban to rural is an important form of RULs. According to Ndegwa (2005), cited in Lynch (2005) permanent migration, commuting, stepwise migration, circulatory migration, cyclical migration, and multi-dimensional and chain migration are the basic forms of population movement linkages. Hinterland farmers can become more familiar with various works, living style and social environments that makeup the urban areas through commuting and circulation (Mantra, 2000).

Physical (Spatial) Linkage

Physical linkage is expressed through the development of infrastructure (Tegegne, 2006). Road infrastructure is the main form of infrastructure that dominates rural-urban physical

linkages. Thus, a road net work is an indication of connectivity and improves RULs in a country. Transportation networks allow access to agricultural services, improve communications and also let better access to non-agricultural employment and extended areas of service delivery (Rondinelli and Rundle, 1976; cited in Ndegwa, 2005). Ndegwa (2005) identified that telephone, postal facilities and rural electrification as the other domains of rural-urban physical linkages.

Environmental Linkage

The expansion of cities creates demand for natural resources extending well beyond bounders, particularly in terms of land. The polluting effect of urban-based production activities also extended well beyond urban limit. Natural resources in rural areas are developed and channeled to urban center where they are consumed and the generated wastes in turn affect rural areas. This constitutes significant rural-urban linkages with much management implication (MWUD, 2009).

Tourism Linkage

Tourism linkage refers to movement of people away from their permanent residential areas for recreation and leisure activity, holyday, conferences, to visit relatives and business trips (MWUD, 2009).

2.2.5 Patterns of Rural – urban Economic Linkage

2.2.5.1 Marketing Linkage

Market linkage implies the physical connection between the producer and the consumer. In addition, marketing linkage involves financial transactions: buying and selling of goods. Marketing linkages facilitate the flow of agricultural products and industrial products between different levels of marketing system. Therefore, marketing linkages is main form of rural-urban exchange that includes flow of agricultural goods and manufactured goods between urban and rural areas (Tacoli 2003).

Flow of Agricultural Goods

Grain and livestock marketing are the major forms of flow of agricultural goods in rural and urban areas. Grain market is the largest of all market in most countries and involves millions of farmers and consumers as well as a number of private marketing agents providing diverse marketing services: buying, selling, transporting, storing, processing, retailing (Wolday and Elleni, 2003). According to Tegegne (2005), a number of actors are participating in grain marketing: farmers directly sell their products to consumers followed by inter-regional traders. Wolday and Eleni (2003) argued that grain marketing affected by several factors: due to the proportion of small land size, and farmers' engagement in subsistence production. Absence of road networking, absence of information, and limited storage capacity of traders and lack of finance are also among the major problems that hinders marketing linkages.[14]

Flow of Industrial Goods and Services

Marketing linkage also manifested through flow of industrial goods and services from urban areas to rural areas. Marketing of the industrial goods includes wholesaling, petty trading and retailing. Small and intermediate towns are the major suppliers of consumer and manufactured goods to rural areas (Tegegne, 2005). According Morris (1997, cited in Gelan 2008), small towns are the major source where rural areas have demand for industrial goods. However, shops in Ethiopia are only limited to supply consumer goods of low order such as oil, kerosene, soap and other similar low order goods. As a result, low-income rural households forced to go bigger towns for goods and services. Due to this, farmers are paying higher cost for transportation.[15]

Other industrial goods, which are demanded by rural people like irrigation pumps, veterinary medicines, grain mills and other small industries, are not available in small towns but people travel to bigger urban centers to get these goods. Size of town has a positive correlation with the type, nature and diversity functions that can be supported (Tegegne, 2005).

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[14] (Wolday and Eleni, 2003), Ibid

[15](Morris,1997, cited in Gelan 2008), Ibid

2.2.5.2 Financial Linkage

A financial linkage refers to movement of capital between urban and rural areas through financial intermediates (formal and informal) (Tacoli 2003). In other words, financial linkages are defined as mutually beneficial partnerships between formal and informal financial institutions that result in an expansion of financial services to new and/or existing clients. Within this context, expanding financial services does not only imply reaching more of the same clients; but also refers to providing financial services to those previously un served segments of the population, or to broaden the variety or to improve the quality of financial services and products. However, they may be further removed from clients, particularly remote rural clients, which make obtaining adequate information and contract enforcement difficult.

Informal institutions, on the other hand, typically function close to rural clients, possess better information and enforcement mechanisms and are flexible and innovative. Nevertheless, they can be constrained in the type of services they offer because informal institutions lack resources and infrastructure to serve clients beyond a small geographic areas.[16] Financial linkage is able to help the different institutions overcome a weakness in what they can achieve on their own while helping to reduce costs and risks of reaching out to remote clients. In practice, it is witnessing an evolution of financial linkages from the non-strategic, traditional bank-MFI relationships of wholesale finance to the strategic nature of recent partnerships. These includes commercial banks and insurers actively seeking non-formal actors to expand into new markets or MFIs strategically partnering with banks, firms, and governments offering fee-based services (money transfers,

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[16] (http://www.ruralfinance.org/library/service-provision/financial-sector linkages/en/? no cache=1&page=2&langfilter=ENG).

payments, salary disbursements, etc) as a way to market new clients while generating new revenue streams

2.2.5.3 Inter – Sectoral Linkage

Inter – Sectoral linkage can be manifested in terms of consumption linkages, backward and forward linkages between agriculture, manufacturing, and services, which operate at household level and at the level of local economies (Tacoli, 2003). These linkages are influenced and intensified by macro-level changes and local contexts including access to natural, physical, financial, social and human resources (Satterhwaite and Tacoli, 2003).

Consumption Linkage

A consumption linkage refers to the flows of goods and services between rural and urban areas. This linkages result from the expenditure of farm incomes on locally produced consumer goods and services (Bagachawa and Stewart, 1992). It arises from the improved livelihood systems, which manifest themselves through income growth that increases demand for basic consumer goods (Tassew, 2002).

Backward Linkage

Backward linkages occur where agriculture absorbs modern inputs produced by local industries or supplied by nearby urban centers. An increase in agricultural productivity and commercialization of agriculture necessitates the use of industrial products, agricultural technologies, farm inputs and farming systems that in turn strengthen backward linkages (Helmising, 2000).

According to Bangachawa and Stewart (1992), the type and magnitude of backward linkages from agriculture to small industry relies on the extent of input usage and how far such inputs are produced or supplied by the nearby urban centers or rural industry. Mutually reinforcing pattern of linkage between an urban center and its hinterland will result the virtuous circle of rural-urban development. Farm inputs increase agricultural productivity, which in turn can enhance the economic linkages between the hinterlands and the urban centers. According to Evans (1992) the virtuous circle of rural-

urban development envisions mutually reinforcing patterns of linkages between an urban center and its hinterlands, which spurs the growth of both agriculture and non-farm activities.

Forward Linkage

Forward linkage refers the supply of raw materials for processing and distribution; obtained through local processing of agricultural outputs. Under normal circumstances, a growing and surplus producing agriculture will stimulate establishment of agro-processing industries in the nearest urban center (Helmising, 2000).

2.2.6 Factors Affecting Rural-Urban Linkages

Linkages exists between rural and urban areas, their scale and strength are determined by the nature of economy, social and cultural transformation at global, national and local level (Taccoli,2004). This section gives highlight on factors that hinders strong linkage between the spatial units.

International Context

At International level RULs are affected by limited access to international markets for small and medium-sized producers, unstable commodities prices; foreign investment concentrates in large-scale export production, imports compete with locally produced goods. Trade and production liberalization has reshaped RULs in most regions. These affected the consumption pattern of both spatial settings because of the increased availability of imported manufactured and processed goods. These imported goods are often cheaper than locally produced goods and thus it negatively affects the local economy. Trade in export crops are argely controlled by international traders who by pass local urban centers do not necessarily invest on the producing regions or nations (Tacoli, 2004).

National Context

At National level, RULs could be influenced by inequitable distribution and access to land; regionally imbalanced growth strategies including limited provision of infrastructure,

credit facilities for small and medium-sized producers, and basic services (education, health, water and sanitation); lack of support to local government; unregulated institutional structure of markets. Macroeconomic policy linked to reform and adjustment has an impact on rural urban linkages at the national level. The reduction of subsidies to the agricultural inputs in these policies has affected the small-scale farmers while reduce cost of workers created financial insecurity in the urban centers (Tacoli, 2004).

Local Context

At local level, RULs could be influenced by unaccountable, with inadequate resources and capacity; not integrated with national planning, geographic and demographic characteristics, farming systems and unavailability of roads and transport networks linking local settlements to urban centers some factors that can affect rural –urban linkages. Rural urban interactions are also affected by economic and political contexts; religion and gender (P. Gexhiene & J. Gugler, 1998; cited Tacoli,2004). Tegegne (2001) argued that the rural economies have significant impact in shaping the linkages because they determine rural income, labor intensity, crop composition, degree of marketing of agricultural products and thus influences the nature and strength of linkages.

2.3 Empirical Framework

2.3.1 Rural-Urban Linkages in the World

Researchers have carried out sufficient findings regarding to RULs in both developed and developing courtiers. In this regard, the works of notable researchers from Europe, Asia and Latin America are offered in this section.

In Europe, Rurality is increasingly viewed as a landscape connected to spatial unit and as an economic asset for tourism and recreation indicating the existence of strong RULs (Bengs, 2005). The result reveals that the clear demarcation line and division of labor between urban centers and their rural hinterland is blurred indicating a tendency towards increasing spatial interconnectedness. The empirical evidence from the same study

indicates that the accessible and attractive areas close to diversified urban centers get greatest gain from increasing RULs.

According to Bengs (2005) the improvement in physical infrastructure, accessibility and development of communication technology were singled out as the main driving forces that resulted functional RULs in Europe. Bengs also assessed the occurrence and nature of urban-rural policies in various European countries. For instance, a review of various European Union sector policy documents reveals that in the agricultural, rural and regional policy documents there is an already some focus to on RULs.

Asia is another area of focus where the issue of RUL has been highly researched. A longitudinal RUL study was conducted in Indonesia, Special Region of Yogykarta. The study reveals that urban-rural gap in the Yogykarta has narrowed in terms of various socio-economic indicators, while it has widened in other areas of Java (Rotge, 2000). In the same year, Rijanta pointed out that the role of RUL in the process of regional integration is great in Yogykarta since it has brought important physical and socio economic transformations, diversification of rural economy, commercialization of agriculture and enhanced intrsectoral linkages (Rijanta, 2000).

Douglass (1998) studied the available regional network strategy for reciprocal RULs in Indonesia. The empirical evidence identified socio-economic relations, structure of rural economy, rural production regimes, natural resources, built environment and spatial systems as key factors that determine RULs at local level. The study also pointed out that there is weak RUL between urban centers and their hinterlands owing to poor transportation linkage and specific socio-economic condition of the hinterland.

Xiaohe (1995) assessed the impact of growth of China's rural enterprises to enhance RULs. The result reveals that rural industries have grown faster than the overall national economy and the complementarities between rural and urban enterprises are likely to dominate their future economic development and interaction.

Braun (2007) studied the role of RULs for growth, employment and poverty reduction. The finding showed that major rural-urban disparities continue to exist in China and India in spite of the increasing levels of RULs and sustained economic growth. Latin America is not different from Europe and Asia as far as the issue of RUL is concerned. For instance, a study from Mexico reveals that poverty rather than physical distance from market centers is found to be much bigger constraint on the demand of rural consumers to urban goods and services (Tacoli and Satterthwaite, 2003).

2.3.2 Rural-Urban Linkages in Africa

National, regional and local development and change in Africa are inevitably bound up with the discussion of the role, nature and impact of agriculture on the overall economy. In addition, role of rural sector in the growth of African economies is often supposed in terms of agriculture (Bagachwa and Stewart, 1992). Backer and Pederson (1992), however, argued that agriculture, as a leading sector does not efficacy in a spatial vacuum.

Several RUL studies in Africa focused only on a single town and its hinterland. However, current linkage studies have shown a paradigm shift to continental, regional and intra-regional level (Tacoli, 2005). According to Tacoli (2005), small-scale traders in West Africa are the main actors to enhance RULs by creating an ease access to market and credit services. On the contrary, lack of physical infrastructure, inaccessibility, lack of market information and shortage of storage and processing facilities affect RUMLs in the region (Tacoli, 2005).

Adebayo (2005) has studied the role of enhancing positive RUL approach to sustainable development and employment generation in southern Africa. His finding reveals that different countries in the region have put in place policies that are aspired to have an impact on the development of both the urban and rural areas. Hence, some policies have been more effective to shape the nature of RULs. For instance, it was identified that the small and micro-enterprises policy in the Republic of South Africa (RSA) offers the basis to understand the complex interaction between urban and rural areas.

In Zimbabwe and Botswana, land policies identified as a key indicator to understand the nature and extent of RULs (Adebayo, 2005). Finally, Adebayo (2005) concluded that the role of communication and information technology is central to enhance RULs in the region.

The available literature shows that RUL studies have been given more concern in East Africa, particularly in Tanzania and Kenya. Tanzania has witnessed some significant studies that offer key insights on RULs. Mush (2005) analyzed the impact of socio-economic infrastructure on RULs in Dares Salaam and its hinterland. The study showed that change in land ownership structure from large to small lots in Tanzania enhanced RULs by encouraging production of high value marketable farm outputs. The availability of reliable infrastructure in Tanzania is also found to be essential in strengthening RULs. Finally, Mush concludes that RULs are extremely affected by contexts, including socio-economic and institutional infrastructures (Mush 2005).

Mwangi (2005) studied the role of regional development strategies to strengthen RULs in Kenya. The study found out that RULs in Kenya are weak due to the failure to endorse commuted rural-urban local government institutions equipped with necessary human resources and strong urban economies. Finally, the study concludes that the future of RULs that would enhance local economic development in Kenya should lie on the extent how far rural-urban local governments are ready to take full accountability and responsibility (Mwangi, 2005).

2.3.3 Rural-Urban Linkages in Ethiopia

Some studies have tried to deal with the significance of rural-urban linkages and off-farm activities in Ethiopia. Tegegne (2008) argued that agriculture is the main stay of most people (84%) in the country, whoever, the sector is not well developed and integrated to the urban centers. Consequently, he demanded the need to support the sector and development of other sectors to foster linkage between the two spatial units. Assefa (2006) also demanded development of non-agricultural sectors for the progress of rural

econom. In his argument, Assefa (2006) said that symbiotic rural-urban development is unthinkable unless well-developed urban system and rural economy.

Assefa (20060 argued that the field of development in Ethiopia has been shared between urban and rural issues. Prosperity/underdevelopment of the two spatial units is the direct outcome of development strategies adopted by the country. Argued that these strategies have failed to integrate the two spatial units for mutual development in a meaningful way, since they have been either rural or urban biased.

Gete (2006) assessed the need of strengthening RULs in Ethiopian in the context development efforts. The study showed that except the newly drafted plan (PASDEP) the previous development strategies were ether urban or rural biased. And Gete (2006) recommended the availability of well function markets and marketing service, strengthened non-farm activities between town and their hinterland, improved rural access roads, improved telecommunication, spread of general education and technical-vocational training in peri-urban areas are set as preconditions to achieve PASEDP's overall objectives in general and to strengthen rural-urban linkages in particular (Assefa, 2006).

Tegegne (1999), compared trends of conducting studies on rural – urban linkage linkage with East African countries such as Tanzania and Kenya, but his findings indicated that RUL studies in Ethiopian are limited. Backer (1992) conducted the first consolidated RUL study in the country. He studied the role of the Guraghe people who have developed a special expertise in trading and business affairs to enhance RUMLs. The study disclosed that the wisdom of Guraghe, have played a great role to strengthen RUMLs in the country owing to the close links maintained between the urban based Guraghe and their rural areas of origin. Backer (1986), cited in Tegegne (2002) assessed the rural-urban gap in Ethiopia and found out that towns are serving mainly as regional market centers.

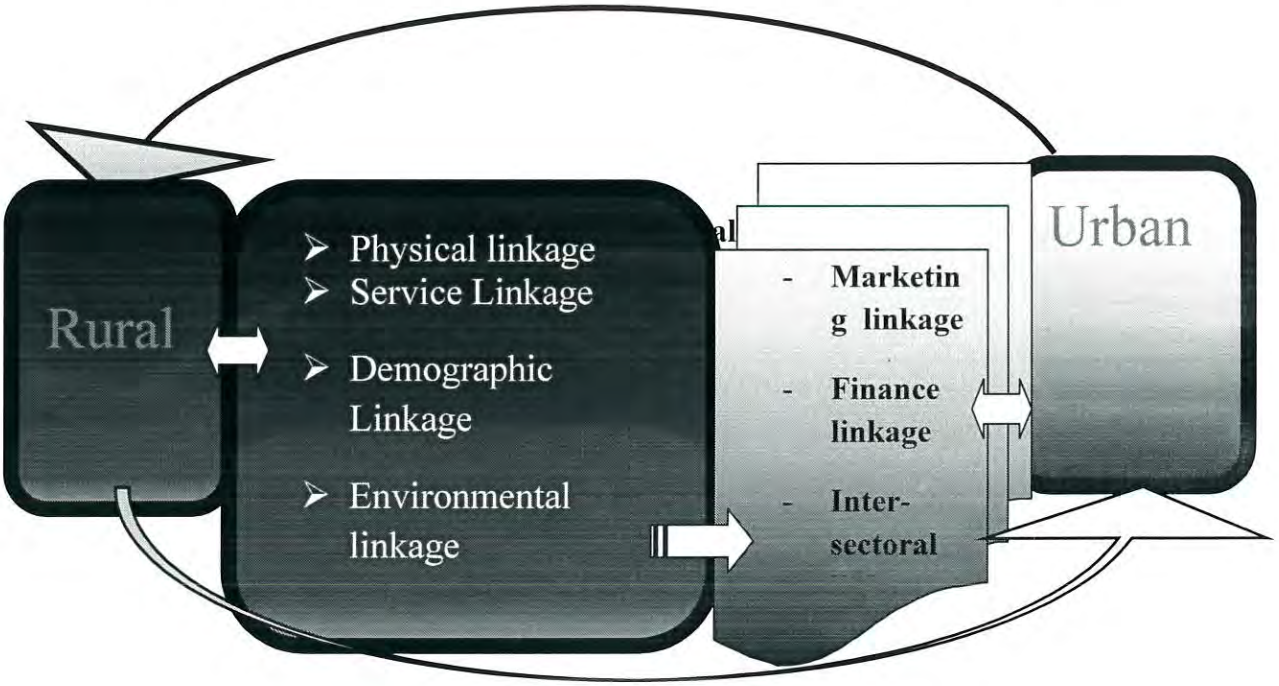
Tegegne and Tilahun (1996) studied the impact of agricultural performance on the development of Itaya and Huruta towns and concluded that apart from trade linkage other forms of linkages were weak or non-existent. Tegegne (1999) conducted a comparative study on two towns (Limu and Robe) and their hinterlands. The study found out that except consumption linkages all other linkages are non-existent. Similarly, Goitom (2005) in assessing the RUMLs in Mekelle town and its surrounding reported that except consumption linkages, other forms of linkages are found to be weak.

Tegegne (2006) studied the status, challenges and opportunities of RULs in Ethiopia and indicated that Ethiopia has under developed RUL due to low agricultural productivity, shortage of input supply and lack of rural financing and communication networks. The most important opportunity/prospect identified by Tegegne, to enhance RUL in the contrary in the current policy environment set to address various socio-economic dimensions. Besides these good prospects, RUL have been faced with numerous challenges that range from some policies to the functioning of the socio economic environment. Rural land tenure policy, inadequate marketing facility, poor road net work, inaccessibility, limited flow of finance, traditional agriculture, lack of small and medium enterprises, absence of agro-processing industries are the major threats that affect RUMLs in Ethiopia. Strengthening marketing facilities, promoting decentralized urbanization, fostering linkages between agriculture and industry, intensify physical connection, avoiding threats to rural-urban migration are strategies suggested by Tegegne to combat the aforementioned challenges (Tegegne, 2006).

2.4 Conceptual Framework of Rural-Urban Linkages

Dimensions of RULs discussed above (section 2.2.4 of this chapter) can be shown in the following conceptual framework. This conceptual framework is to be used as a general skeleton for the analyses and interpretation in the next chapters.

Figure 2.2: Sketches for Conceptual Framework of Rural-Urban Linkages.



Source: Adopted the concept and the sketch developed, 2012

The figure (2.1) shows that the dimensions of rural urban linkage in general economic linkage in particular. Thus, the box in the ring (in figure 2.1) contains six lists: service linkage, physical linkage, demographic linkage, economic linkage, environmental linkage and tourism Linkages. Among these, bolded one (economic linkage) is the focus of this study and it is also contained three dimensions: marketing linkage, financial linkage and intor – sectoral linkage to see it in detailed manner (see also analytical framework in figure 2.1).

CHAPTER THREE

3. Background of the Study Area and Research Methodology

3.1. Background of the Study Area

3.1.1. Background Information of the Hadiya Zone/ Hinterland

The Hadiya Zone for which Hosanna town is capital is found in the southern Nation Nationality and peoples Regional state (SNNPR) of Ethiopia, owes its name from its inhabitants, Hadiya people. Historically, Hadiya was a powerful vassal kingdom of Ethiopia that had marital ties with many of kings that ruled Ethiopian Empire. The earliest record indicates that present of Hadiya people dates back to 13th century AD. The old Hadiya kingdom covers large area apparently on both sides of the Rift valley. Much of these area is presently inhabited by several linguistic groups which either descended from the Hadiya proper or people of heterogeneous ethnic that absorbed substantial proportion of the inhabitants of old Hadiya Kingdom (Solomon,2008).

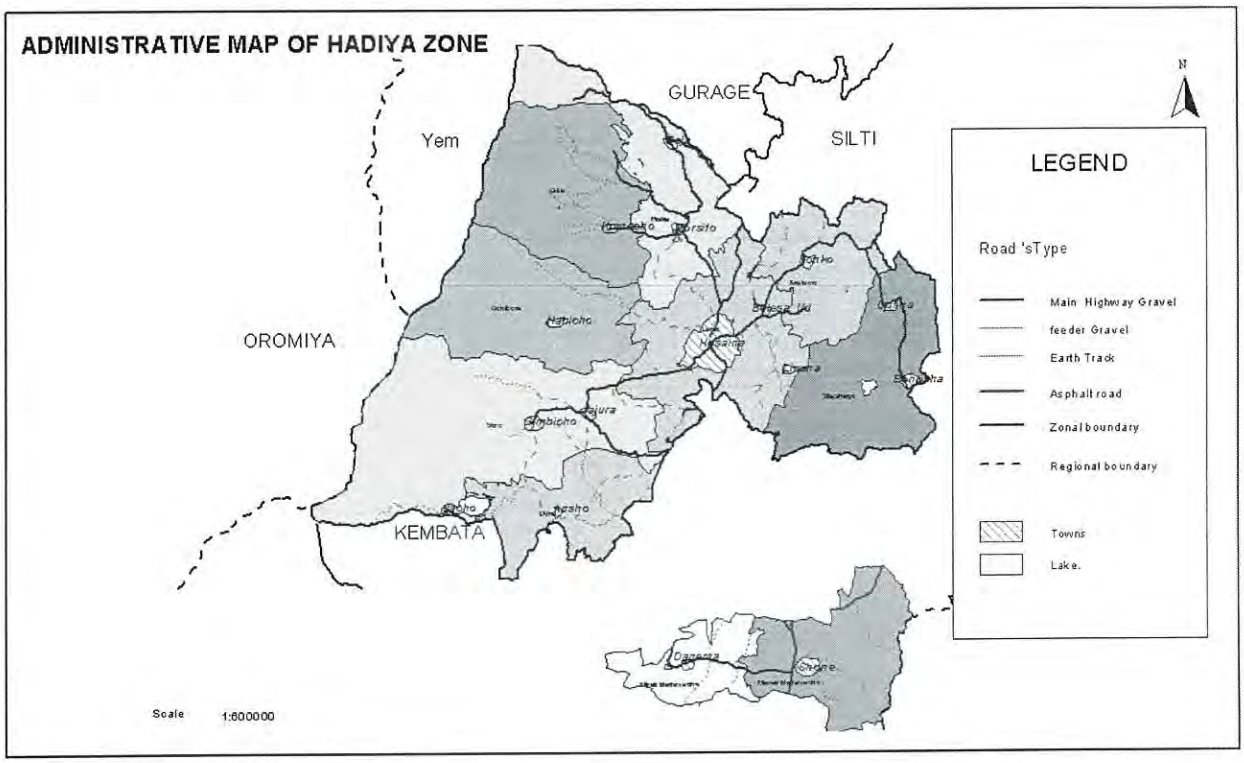
Presently, the Hadya zone is much smaller territory and is one of the 13 zones and 9 special woredas in the region. It was divided into 4 woredas when it joined willingly the SNNPR. They were Limo, Soro, Badawacho and Misha woreda. Later on 3 new woredas were included namely Shashogo, Duna and Gibe to give effective and efficient administrative and political leadership in 1998 E.C. The zone was re-arranged and 3 new woredas are included namely Mirab Badawacho, Gombora and Anlemo including Hosanna city administration. Now the zone has 10 woredas and city administration as administrative political unit of the zone.

3.1.1.2 Location of Hadya zone

The Hadya zone is located at the outskirts of the great Ethiopia rift valley at the western fringe in the northwestern part of SNNPR. In the North West, it shares common boundaries with Oromiya region and Yem special werada. The Zone is principally a component part of the North Western highlands of Ethiopa. The zone neighbors in East and North East are Halaba special woreda and Siltie zone and kembata-Tembaro zone at

its immediate south. But Wolaita zone at the near far is the neighbor of detached two woredas, Misrak and Mirab Badawacho. The administrative Zone is geographically fragmented as two of its ten weresas, namely east Badewacho and west Badewacho are located away from the main body of the land largely to the south of the Kebata-Tamaro Zone (Solomon, 2008). The Hadiya Zone is situated at 7° 3' 19"-7° 56' 1" north latitude and 37° 23' 14"-38° 52' 13" east longitude (HFEDB, 2009).

Figure 3.1: Administrative map of Hadiya Zone/ study area



Source: HFEDB, 2010.

3.1.2. Background Information of the Hosanna Town

Hosanna town, the capital of Hadiya zone, was established as a municipality in 1942. Currently, it is one of the 22 reform towns in SNNPR and has a second grade status similar to that of Dilla, Arba Minch, and Woliata Soddo (HCAMO, 2010a). Being an administrative capital of the Hadiya Zone, Hosanna provides a base for many public and

private institutions that operate in the zone. In addition the town functions as a centre for Lemo wereda (one of the ten weredas found in the zone). It is also a major transportation node, being at the centre of six national and regional transport routes. Since May 2008, the town is led under town administration with three sub-city and eight kebeles (HFEDB, 2010)

The founder of Hosanna is Ras Abate (the Governor General during time of Minilik II) in 1901 E.C. He had been living in Angeca (30km to southeast of Hosanna) for about seven years before he visited a high land area called Sech Duna (literally to mean 'a hill for bee hives'). Due to its topographic nature, Sech- Duna (currently called Hosanna) was a good strategic military and living place for the Governor General Abate. Therefore, he decided to live there as of the year 1901 E.C. Later, strangers of Ras Abate renamed the place as 'Wachamo' (meaning 'to swim') which was the name that was believed to be emanated from cultural exaggeration of abundance of cow milk in the area up to swimming in it. Wachamo was a well-known area for animal rearing and there was a big cattle yard (fence). Starting from 1901, E.C Ras Abate displaced the people living around Wachamo and expanded his settlement as well as government under the hands of Menilik. Later he changed the name of the place from Wachamo to Hosanna. This name was believed to be induced from the overall shifting of living palace of Ras Abate from Angaca to Wachamo on the era's holly day (HCAMO, 2010).

3.1.2.2 Location of the Town

Hosanna town is located southwest of Addis Ababa 232km away via Alemgena-Butajira route, 280km from via Wolkite route, and 305km via Ziway. Hosanna is also located 168km away from Hawassa (the capital of SNNPR) via Halaba-Angeca and 203 km via Halaba (HFEDB, 2010). The absolute location of Hosanna is $7^0$15'00" North latitude and $37^0$50'30" East longitude. The administrative area of Hosanna town is 10,414.3 hectares, from these area 4,585.48 hectares of the town has been well master planned (HFEDB, 2010).

Population of the Town

The total population of Hosanna was 13,467 and 31,701 in 1984 and 1994 respectively (CSA; 1984, 1994). Within ten years time, the town's population reached 69,957(more than double) (CSA, 2007). Based on CSA 2007 the population census result, the current population of the town is projected to reach 89,251 at the end of 2010 out of which 45,307(50.8%) and 43,944(49.2%) are estimated to be male and female respectively

Urban Services

The municipality of Hosanna was established in 1942 with only 11 staffs. By now, it has about 152 permanent and contract employees. The town was under one higher kebele administration until 1991(HCAMO, 2010). Despite the old age of Hosanna town, no attempt has been made for master or development plan preparation until the year 1999. The only exception is a trial of sketching a land use plan preparation by a foreigner architect in 1968. However, National Urban Planning Institute (NUPI) prepared a comprehensive and relatively complete development plan in 2000. The fastest growth of town was experienced during the era of Derg (1975-1990) due to the abrupt change of urban land ownership and other policy changes. Furthermore, this growth has been accelerated in a better way even after the downfall of the Derg regime (HCAMO, 2010).

Economic Activities

The majority of the people in the town are driving their livelihood by undertaking small and medium trade, government employment and farming in the surrounding areas. The major trade undertakings in Hosanna town include small scale trading and micro enterprises, hotels, retail trading, cereal marketing, flourmills, cloth making (waving and sewing) and livestock product marketing etc. Regarding industrial activities, there are several flourmill medium scale industries in Hosanna town. According to the information obtained from micro and small-scale trade and industries office of the town administration, there are efforts to organize micro enterprise cooperative on regular and package programs in the coming years (HCAMO, 2010).

3.2. Research Methodology

3.2. 1 Research Design

The purpose of this study is to assess rural-urban economic linkage in Hosanna town and its hinterland. The study investigated by collecting data on the existing linkage, in the form of a sample survey.

Cross – sectional survey method is used because of its effectiveness in saving time, money and energy of the investigator. Besides cross-sectional survey, the study used approximating-longitudinal survey to ask respondents to furnish data relevant on the past events. Twelve (12) km distance is taken to conduct the research since economic linkage can be seen as linkage of high-order services and goods.

3.2.2. Sampling Technique

As rural-urban linkage is location specific in nature, undertaking of research in interrelationship that exist between the spatial units requires defining the spatial frame. Therefore, this study took four household sample areas from rural hinterland or area of influence within a radius of 12km from Hosanna town administrative boundary and four from Hosanna town administration. Eventually 144 household respondents selected from hinterland and 118 from the Town.

To select sample from rural household, the study used three stage-sampling techniques. In the first stage four kebeles[17] were selected which are found within a 12 km radius from Hosanna town. To select these kebeles the researcher used Geographic Information System (GIS) and a buffer urban influence area in to three concentric buffer zones. The first buffer zone is area in 4km radius from Hosanna town administration and one kebele is selected randomly that is relatively located in North from Hosanna town. The second buffer zone ranges from 4 km to 8 km radius from which the second sample kebele was selected that is relatively located in southern direction. The Third and fourth sample

[17] Local government, the smallest administrative unit in both urban and rural areas

kebeles were selected from the fourth buffer that ranges from 8 km to 12 km radius that are located relatively in East and West of the Hosanna town respectively. The reason for the selection of the two sample kebeles from one buffer is that the researcher assumed that the circumference of the buffered zone would increase with their respective radius.

In the second stage, the researcher randomly selected one 'ghot'[18] from each kebele that are already selected as sample kebele in stage one. The third stage was selection of the sample population from the total population of the four 'ghots' and stratifying number of respondent according to their proportion of population in each strata in order to minimize sample bias.

To select sample from urban households, the study used two stage sampling technique. In the first stage, a contact with municipality officials in Hosanna town is held to select urban kebeles, to know population distribution in kebeles. In the second stage, urban residents/households were selected using 'ketena'[19] as representative of each kebele. At the third stage, sample population from each 'ketena' was selected and total sample population was stratified according to their proportion in each stratum. The study also used an interview in which fifty traders were interviewed.

3.2.3 Population and Sampling

The study conducted in four rural kebeles using one 'ghot' from each as a sample repetitive and four kebeles in urban using 'ketena' as representative of urban kebeles. From recorded data in each kebele: urban and rural areas households are taken as a sample frame.

The study considers factors that affect sample size such as type of research design, the desired level of confidence, population characteristic, cost and time availability (Creswell, 2009). It was believed that the problem will be minimized and keep

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[18] *An* administrative unit, one level lower than *kebele* in rural areas

[19] *An* administrative unit, one level lower than *kebele in urban areas*

representativeness as used proper sample size determination method. Therefore, the study used the flowing formula, which is familiar with most conducted social researches for sample size determination (Cochran, 1977)

$$n0 = \frac{(zs)^2}{d^2}, \text{----------1}$$

$$n = \frac{n_0}{\left(1+\frac{n_0}{\text{population}}\right)} \text{------2}$$ If sample size exceeds 5% of the population

Where, n_0= required sample size according to Cochran's formula; s= sample standard deviation, z= value for selected alpha level and d = acceptable margin of error n = required return sample size because sample > 5% of population

Thus, the method resulted a sample size of 118 and 144 urban and rural households respectively and the result is fits not to use equation '2'. Miller and Smith (1983) recommended that for sampling non-respondents that the researcher takes, a random sample of 10-20% of non-respondents to use in non-respondent follow-up analyses. If non-respondents are treated as a potentially different population; it does not appear that this recommendation is valid or adequate. Rather, the researcher could consider using Cochran's formula to determine an adequate sample of non-respondents for the non-respondent follow-up response analyses. Therefore, the study used the recommendation to take 144- sample respondent from the hinterland but not for urban area. Finally, the sample is selected through simple random sampling using kebeles' and municipality' records in the respective sample Kebles.

However, out of 144 rural sample households, 130 valid samples were entered in to the analysis. Similarly, out of 118 urban sample households, 110 valid samples were entered in to the analysis. The remaining samples are accounted to be unacceptable because missed pertinent variables at the time of data collection and it was not feasible to make

an interview for the second time due to time and financial constraints. In addition to sample survey in rural and urban areas, an interview was used to undertake the study. The interviewees were 18 grain traders, 19 non – grain traders, 9 fruit and vegetable and 4 charcoal trades (please see the following tables).

Table 3.1 Distribution of Household samples in the study

Hinterland	NSR	within	Location
Massbira	40	12km	North
Jewe	32	12km	South
Bequna chechyencho	36	8km	West
Ambicho	36	4km	East
Total	144	-	-
Hosanna town			
Bobicho	32	-	-
Jelo – neremo	26	-	-
Heto	31	-	-
Betel	25	-	
Total	110	-	-

NSR- Total Number of Sample Respondents

3.2.4. Data Type and sources

According to MWUD (2009), conducting research on rural-urban linkage needs collecting different qualitative and quantitative data at hinterland and urban level uses different data collection methods. Collection of data needs attention to obtain data that are more pertinent to economic linkage. Thus, collected data for the study includes data on performance and characteristics of the economy of the study town and rural hinterlands, and on the flows of goods and economic services between urban and rural areas. Accordingly, the study used both primary and secondary sources of data to investigate rural-urban linkage in Hosanna town and its rural hinterland.

Primary data for the study has been collected through structured and semi-structured questionnaires (both open ended and closed ended type) in-depth interview with key informants, Focus Group Discussions (FGDs) and personal observation. Secondary data source for the study is data from both published and unpublished documents such as books, articles, journals, statistical reports and internet.

3.2.5. Data Collection

Data Collection on Demographic and Economy Characteristics of the Hinterland

Collected demographic data include demographic characteristics of the hinterlands such as population size, age structure, sex, average household size, population density, etc.

Collected data that related to economic characteristics of the rural areas include data on performance of rural economy, characteristics of rural economy, and potentials of rural areas and constrains on the rural economy. Accordingly, rural land use, livestock production (type, amount and distribution), number of households involved in the major type of off-farm activities and potential and constraints to utilize agriculture are taken as major indicators of the hinterland economy.

Collection Data on Demographic and Economy Characteristics of the Town

Collected and used data regarding demographic characteristics of the town includes data on population size, age structure, sex and average household size. Collected data regarding characteristics of the urban economy includes data on performance, characteristics, and potential of the urban economy. Accordingly, data on number of trade license (wholesale, retail, services) issued, renewed and Year of business establishments by sector taken as major indicators of the town economy. In addition, number of employment and major types of micro and small business activities; potentials and constraints in business activities; number of employment in each sector and investment climate (availability of basic utilities, land provision, etc.) are also included to assess the economic nature of the town.

Data Collection on Rural – Urban Economic Linkage

Data on Flow of Agricultural Goods

This data collection includes major source and type of agricultural products supplied to the town and major actors (functionaries) in agricultural marketing, availability and condition of marketing facilities (storage facility type, capacity and adequacy and market places condition, etc.) in the study town. Major factors imposing constraints on agricultural marketing (like infrastructure, transport cost, market information, etc.) are also included.

Data on Flow of Industrial Goods

This data includes major types of industrial goods traded; major type of industrial goods demanded by the type of rural population; major actors of industrial goods marketing; major origins and destination of semi-processed and finished industrial goods; mode of transportation availability of local resources-based industries and their major products and factors affecting industrial goods marketing.

Data on Mobilization of Financial Capital

This data includes numbers of financial institutions prevailing in the study town; number and origin of clients; sectoral distribution of loans (agricultural, manufacturing, services), major problem in credit supplies.

Data on Inter-Sectoral linkage

Includes type and amount of agricultural input provided to the rural areas (improved seed and seeding, fertilize, pesticide, herbicide, etc); major distributors of agricultural inputs; type of agricultural services provided (Extension service, tractors, harvesters, etc); and constraints on inter-sectoral flows of goods and services.

3.2.6. Data Collection Instruments

Structured Questionnaire

These questionnaires were prepared for urban and rural sample households. Questionnaires were prepared separately for each group because the needed information from each group was not similar. Both close-ended and open-ended questionnaires were prepared and translated to suit the respondents' local language in an understandable manner. The questionnaires were distributed and collected by well-trained enumerators.

Focused Group Discussion (FGDs)

This focus group discussion involved grouping about 6 to 12 people together for discussion. It is aimed at drawing the respondents' attitudes, feeling experiences and reactions in a way, which would not be feasible using other methods such as in one-to-one interviewing or questionnaire. This instrument is very useful as a means of understanding marketing channels (MWUD, 2009) of urban and rural areas. Eight group discussion with 6 to 12 members was held to investigate the study; four 'ghots' from rural and four 'ketena' from urban that are selected as a sample and composition of group was 50% woman and 50% man .

Key Informant Interview

In order to collect general information from urban, rural and government officials, key informant interview were held. It is aimed at assessing the role of rural-urban local governments to strengthen an economic linkage. For this reason, key informants were: key municipal officials, agricultural and rural development offices, development agents of sampled rural 'ghots', managers and chair person of sampled rural kebeles and the likes.

Personal Observation

To make sure that the information gathered using other instruments are accurate and triangulate it personal observation of the researcher in sampled rural 'ghots', market and trading place was made.

3.2.7. Methods of Data Analysis

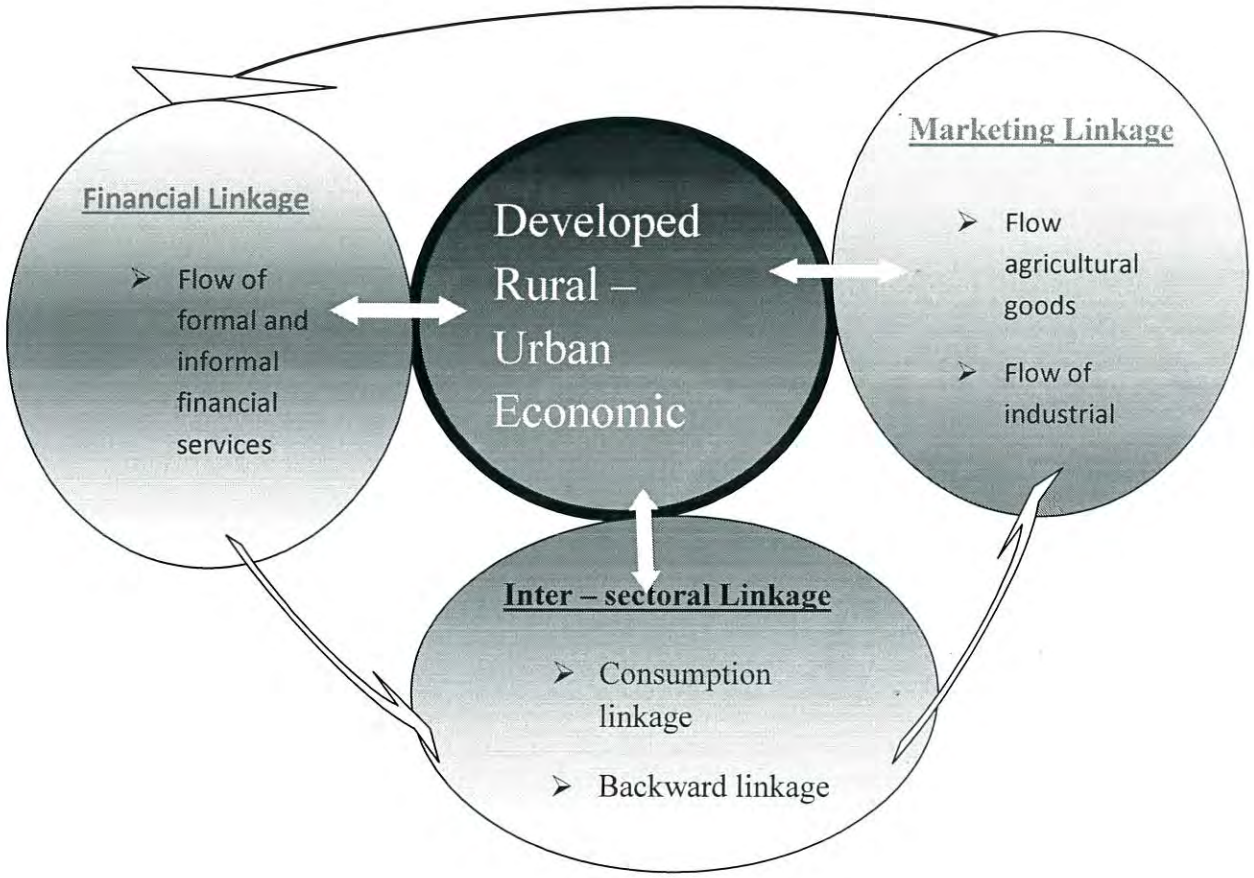
Both descriptive and statistical tools were employed. Response gathered through close-ended and open-ended questions were edited and coded. Quantitative data that collected from sample household were processed and analyzed using the Statistical Package for Social Scientists (SPSS). Quantitative and qualitative data gathered through participatory assessment involving key informant interviews, focus group discussions, and observation and assessment of the researcher were processed both manually and electronically to complement data from the household interviews.

3.2.8. Analytical Framework for the Study

Urban-rural economic linkage among others supposed as a tool to solve problems of rural and urban livelihood, and stimulate development by distributing resources between the two spatial units. Rural-urban linkages are more important to achieve balanced economic growth and improve the livelihoods of households.

The study is intended to assess the existing pattern and extent of rural-urban economic linkages. Assessing the rural-urban economic linkages is not likely that outcomes and outputs are to be judged against expected results. Instead, the analysis of the study is based on degree of the flow of some economic activities in the study area and challenges affecting them (please see chapter two of this paper). Therefore, the analytical framework for developed rural-urban economic linkage is formulated based on theoretical literatures review and reviewing empirical studies (see chapter two of this paper). This analytical framework focuses on rural-urban economic linkages and its positive effects on the development of rural and urban areas.

Figure 3.2 Analytical Framework for developed Rural – urban economic linkage



Source: Adopted the concept from related literatures in this study and Sketched, 2012

CHAPTER FOUR

4. Results and Discussions

In the previous chapters (chapter two and three), the writer tried to review the basic theoretical debates, empirical findings, conceptual frameworks and basic characteristics of the study area in order to give building blocks for the study. This chapter also presents discussion and analysis of the findings of the study starting with explaining the socio-economic characteristics of the survey respondents.

As mentioned in chapter one, the main thesis of the study is to assess the nature of rural-urban economic linkage: marketing linkage (flow of agricultural goods and industrial goods), financial linkage and inter-sectoral linkage between Hosanna town and its hinterland. To meet the stated objective and to answer the research questions raised in the first chapter, data related to performance and characteristics of the economy of the study area, and flows of goods and economic services between urban and rural areas have been collected and discussed in detail in this chapter. Furthermore, the information, figures and facts collected from households and different offices through different mechanisms are analyzed and interpreted. This chapter also explains the efforts of the concerned bodies in support of the rural-urban economic linkage.

4.1. Demographic Characteristics of the Sample Households

The section displays demographic variables: sex, age, marital status and family size obtained from the field survey data to offer general characteristics of the studied population. As stated in the methodology section (under section 1.6.3 of the chapter one), the survey conducted on a total of 262 households in both rural and urban areas of eight kebeles: four kebeles from rural area and four kebeles from urban area. Accordingly, 262 questionnaires were prepared and distributed to rural and urban households: 144 questionnaires for rural households and 118 questionnaires for urban households. From a total of 263 distributed questionnaires, 240: 130 from rural and 110 from urban area were collected and analyzed.

4.1.1 Demographic Characteristics of the Sample Rural Households

Sex, Age and Marital Status of the Sample Rural Respondents

As indicated in table 4.1, the majority of respondents were male accounting for 78.4% of the total respondents while the rest 21.6% were female-headed households. Regarding the age, the highest concentration of the respondents (51.5%) is in the age group of 31- 45 followed by age group 15 - 29 (24.6%), 46 – 65 (14.6%) and above 65 (9.3%) respectively. There are no respondents in the age group below 15 years.

Table 4.1: Distribution of the Hinterland Respondents by Sex, Age and Marital Status

Sex	Number Households	Percent
Male	102	78.4
Female	28	21.6
Age (in years)		
Below 15	-	-
15 – 30	32	24.6
31 – 45	67	51.5
46 – 65	19	14.6
Above 65	12	9.3
Marital Status		
Married	115	88.5
Never married	-	-
Widowed	10	7.7
Divorced	5	3.8

Source: Author's field survey, 2012

Regarding marital status of the respondents, about 88.5% of the respondents were married whereas the rest 7.7% and 3.8% of the survey respondents were divorced and

widowed respectively. There were no respondents never married at the time of survey (please see table 4.1).

Educational Status of the Sample Rural Households

Regarding educational status of the respondents, about 57 % of respondents can read and write while the rest 43% cannot read and write. Among 57% of the respondents who can read and write, 61% attained 1- 6 school level, while 27%, 9.3% and 2.7% of the respondents attained 7- 8, 9-12 and above 12 school level respectively (see table 4.2).

Table 4.2: Distribution of the Hinterland Respondents by Educational Status

	Frequency	Percent (%)
Read and write(%Yes)	74	57
1 - 6	45	61
7 - 8	20	27
9 - 12	7	9.3
Above 12	2	2.7

Source: Author's field survey, 2012

Family Size of the Sample Rural Households

Table 4.3 indicates those who have family size of 1-3 accounts of 9.2%, family size of 4-6 accounts of 32.3%, family size of 7-9 accounts of 52.3% and family size of 10-12 accounts of 6.1%. There were no respondents having more than 12 family members.

Table 4.3: Distribution of the Hinterland Respondents by Family Size

Family Size	Frequency	Percentage
1 - 3	12	9.2
4-6	42	32.3
7-9	68	52.3
10-12	8	6.1
>12	-	-
Total	130	100

Source: Author's field survey, 2012

4.1.2 Demographic Characteristics of the Sample Urban Households

Age, Sex, and Marital Status of the Sample Urban Respondents

Age and Sex distribution of sample urban households indicates the majority of the respondents (80.9%) were male-headed and the rest 9.5 % were female headed. The age structure of the respondent's shows (table 4.4), 29% of respondents were within the age group of 15-30 years and 37.3% within the age group of 31-45 years. In addition, 27.3% within the age group of 46-65 years and the rest 6.4% were found within the age group of above 65 years. There were no respondents within the age category below 15 years. From the table below one can understand that most of the sampled households were economically productive since the majority of the respondents are within age group of 15-65years old. Regarding marital status of the respondents, about 70.9% of the respondents were married and about 20% of respondents were never married. While the rest 2.7% and 9.1% were divorced or widowed respectively, (please see table 4.4).

Table 4.4: Distribution of the Hinterland Respondents by Age and Marital Status

Age	Frequency	Percentage
Blow 15	-	-
15 – 30	32	29
31 – 45	41	37.3
46 – 65	30	27.3
Above 65	7	6.4
Marital status		
Married	78	70.9
Never married	22	20
Divorced	3	2.7
Widowed	7	9.1

Source: Author's field survey, 2012

Family Size of the Sample Urban Households

As shown in the table 4.5 below, 30.9% of the respondents have family size of 1-3 at the time of enumeration, 44.5% of the respondents have 3-6 family size while 22.7% and 1.9% of the respondents were of 7-8 and 9-12 family size respectively at the time of enumeration.

The minimum household size of the respondents was 3 , with the maximum of 9 and average household size was 6. The average family size of the respondents was 6.This is higher than that of the national average family size of 4.5 (CSA, 2007).

Table 4.5: Distribution of the Urban Respondents by Family Size

Family size	Frequency	Percentage
1 - 3	34	30.9
4 - 6	49	44.5
7 - 9	25	22.7
9 - 12	12	1.9
Total	110	100

Source: Author's field survey, 2012

Educational Status of the Sample Urban Households

Regarding educational status of the respondents, as shown in table 4.4, all respondents (100%) reported that they could read and write while 10.9% of the respondents attained 1-6 school level and 30% of the respondents attained 7-8 school level. Furthermore, 44.5% the respondents attended 9-12 school level, and 14.6% the respondents attended above 12-school level.

Table 4.6: Distribution of the Urban Respondents by Educational Status

	Frequency	Percent
Read and write (%Yes)	110	100
1 - 6	12	10.9
7 - 8	33	30
9 - 12	49	44.5
Above 12	26	14.6

Source: Author's field survey, 2012

From this data, it is possible to say that there is a better accessibility of education in Hosanna town since educational level of the respondents is relatively good enough (please see table 4.6).

4.2 Economic Characteristics of the Sample Hinterland Households

According to the Hadiya Zone Finance and Economic Department (2012), mixed farming (combination of crop production and animal rearing) is leading economic activity in the zone. It is the basic livelihood for the people in that around 85% of the zone populations are engaged in crop production and animal rearing. However, most crops are grown in subsistence level for domestic consumption by rain fed farming system .The major crops grown are cereals such as wheat, teff, maize and sorghum. 'Enset'[20] is also another plant used for subsistence.

The total land surface of the Zone is 346958.8 hectares, from that about 69% is cultivated,7% is land for grazing, 6% is bushes and woodland, 8.78% for non-agricultural activities, 2% is cultivable land and 7.22 % is uncultivable land surface(HFEDB,2012).

The study attempted to assess the economic nature of the hinterland in line with the above presented argument. A result of rural sample survey shows that about 99.5% of rural households were engaged in mixed farming whilst only 0.5% of respondents reported that crop production is their main activity. No respondents reported as engaged in animal husbandry as an only main activity. From this, we can conclude that the mixed farming is a leading activity in the hinterland. In addition, the detailed economic

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[20] Enset (*Ensete ventricosum*) aso known as false banana "is the main crop of a sustainable indigenous African system that ensures food security in a country that is food deficient. Enset is related to, resembles the banana plant, and is produced primarily for the large quantity of carbohydrate-rich food found in a false stem (pseudostem) and an underground bulb (corm). More than 20 percent of Ethiopia's population (more than 10 million people-the precise number of enset users is unknown), concentrated in the highlands of southern Ethiopia, depend upon enset for human food,fiber, animal forage, construction materials, and medicines"
http://www.aaas.org/international/africa/enset/intro.shtml.

structure of the hinterland: land holding and ownership, agricultural production and productivity, off-farm activity and problems of agriculture is discussed below .

4.2.1 Land Holding and Ownership System

According to CSA (2007), Hadiya Zone is one of those parts of Ethiopia that have the highest densities of population due to the fast growth of its population. Consequently, the area has witnessed a rapid decrease of cultivatable land per person especially in recent decades. To examine these facts, the sample households were asked regarding their land holding and ownership system. As the survey result shows below (Table 4.7), out of the total sample households, all (100%) of the respondents own land; there is no respondent who reported as a landless. Regarding the land possession, about 1.76% of the sample households own about one hectare of land. The rest, 41.5%, 26.1% and 16% own 1.1-2, 2.1-3 and 3.1-4 hectares of land respectively (please see table 4.7).

Table 4.7: Distribution of the Hinterland Respondents by Land holding and Owner ship System

Land /hectare	Frequency	Percentage
Landless	-	
0 - 1	23	1.76
1.1 - 2	54	41.5
2.1 - 3	34	26.1
3.1 - 4	21	16
Above 4	-	
Total	130	100
Minimum size	0.1	-
Maximum size	3	-
Average size	1.55	-

Source: Author's field survey, 2012

As indicated in the table 4.7, about 41.5% of the sampled respondents owned less than 1.1 hectares while about 16% of the respondents owned greater than 3 hectares, which indicates that there is an unequal distribution of land. The maximum holding size is 3 hectares while the minimum is 0.1 hectare. The average land size for the respondents is 1.5 hectares. Another critical finding of the FGDs that needed to be mentioned here is the fact that those who have minimum land holding strengthens linkages by migrating and involving in non-farm activities (positive impact of landlessness on rural – urban linkage). In this view, M. Seraje (2007) argued that unequal distribution of land is one of the factors that affect rural-urban linkages.

Regarding to land ownership system, 75% of the respondents reported access to land through inheritance. The rest 10%, 10% and 4% are reported access to land through sharecropping, renting and gift respectively. According to the result of FGDs, those who are from rich families access land through renting, despite the fact that the value of land is increasing. In contrast, those who rent – out their lands are usually the poor and are those groups whom were always pushed to migrate. Similarly, M. Seraje (2007) argued, this forces the vulnerable groups to diversify their livelihoods or migrate, thereby encouraging rural-urban linkages.

Regarding to the pattern of land size, all (100%) of the respondents pointed out that land size had decreased during the previous years. Almost all respondents reported that demographic pressure is the major reason for decreasing land. In line with this, Solomon (2007) also pointed that its relatively large population size exerts a huge pressure on its natural resource although the Hadiya Zone has proportion of arable land. According to M.Seraje (2007), "the decline in farm size and production are some of the reasons why rural people diversify their activities in villages or nearby towns, or migrate. These factors also limit rural-urban linkages in terms of the flow of grain supplies."

Even if the above mentioned land-related problems encourage rural-urban linkages in terms of the flow of people, it weakens the flow of agricultural products from rural to urban areas and the potential of farmers to purchase industrial goods. Thus, land

shortages can have both positive and negative effects on rural-urban linkages in the study area.

4.2.2 Farming System and Problems of Agriculture

The data gathered from the rural survey respondents regarding farming system indicates that 80% of the farmers do not use other sources of water for farming. The remaining 20% of the respondents use other sources of water: irrigation, underground water and water harvesting. Water harvesting is used by 12% of the respondents while the rest 5% and 3% of the respondents are reported that they used underground water and irrigation respectively. From the 20% of respondents almost all reported that they developed land through irrigation while water harvesting is less than one hectare per respondent. This shows that rain-fed agriculture is common feature of rural economy in hinterland.

Table 4.8: Distribution of the Hinterland Respondents by Farming System and Problems of Agriculture

		Rank Frequency				
No	**Constraints**	First	Second	Third	Fourth	Fifth
1	Shortage of land	64	52	10	2	2
2	Shortage of oxen	1	26	20	20	10
3	Shortage labor force	15	14	31	15	20
4	Shortage of inputs	11	22	35	13	10
5	Lack of market service	1	-	7	32	6
6	Shortage of capital	24	60	15	21	6
7	Tenure insecurity	-	-	-	-	-
8	Lack of extension service	2	2	8	7	16
9	Transport problem	1	2	2	4	35
10	Crop pests and diseases	11	12	8	15	19
	Total	130	130	130	130	130

Source: Author's field survey, 2012

Tegegne (2005) argued that there are a number of constraints in agricultural activity though it supports a large number of rural households in Ethiopia. To make sure the problem is common in the study area, the hinterland farmers were asked to rank the first five problems from ten assumed variables in an ascending order as per their severity (see table 4.8). Accordingly, 64 (49.2%) farmers have reported shortage of land as the first main problem affecting agricultural production and 60 (46.1%) farmers have reported shortage of capital as second affecting problem followed by shortage of agricultural inputs, lack of market services and transportation problem respectively. Shortage of labor force, and crop pests and disease are also important problem among various problems in their crop production. There was no respondent reported tenure insecurity as a problem for agricultural activities.

4.2.3 Crop Production

According to Hadiya Zone Finance and Economic Department, the list of crops produced in the Zone includes several types of cereals, pulses, oil seeds, root crops, vegetables and fruits. Among these, cereals are the major type of crops produced in the Zone accounting for about 85% of land under cover crops. Wheat is the leading crop in terms of cultivated area accounting for about 45% of the land devoted to the production of cereals. Teff, maize and sorghum stand as 2nd, 3rd and 4th important crops produced in the Zone accounting for about 20%, 17.6% and 5% respectively. Among pulses, the leading crop is bean covering approximately three-quarter of land under such crops.

The rural survey respondents were asked to identify the most important crops in the order of their significance in stipulations of local consumption, marketing, size of land allotted and volume of production in the hinterland. Therefore, the data collected from sampled farmers on the type of crops cultivated and amount of land allotted in the last twelve months shows that wheat covers (43%), and flowed by Teff (25%), Bean (15%), Maize (4%), Sorghum (3%), and other (10%) respectively. Regarding the proportion of crops per hectare, about 298 hectares of land was allotted for cereal. Out of this land, wheat covered 121 hectares followed by Teff 70, Bean 42, Maize 14, Sorghum and others 2 hectares respectively. All respondents reported that 'Eenset' the most cultivated in the

hinterland. Besides cereals, cash crop i.e. 'Chat'[21] is produced by 11% of the sampled respondents in the study area. Hence, it would give better income for those farmers who have grown it better than food grain.

Another important thing regarding to cereal production in the hinterland is that the production is not market oriented. Incidentally, survey respondents were asked if they produce cereals mainly for sale. The result indicates that 46% of sampled farmers produce crops for sale and for household consumption. On the other hand, the rest 54 % of respondents responded that they never produce crops for sale. FGD result with rural farmers indicates that the subsistence cultivable land shortage, nature of agriculture and high cost of production are the most important cause not to produce cereals for sale.

4.2.4 Fruits and Vegetables Production

Regarding fruit and vegetable production, 89% of the survey respondents have produced fruits and vegetables in the last three years but this production is not for sale rather almost all (91%) is mainly for household consumption. From those who produce fruit, about 9% of the respondent reported that their products are for sale and domestic household consumption. About 5% of the respondents reported that they have never produced fruits and vegetables in the last three years.

4.2.5 Livestock Ownership and Livestock Products

The data collected from sampled the households on livestock ownership indicates that about 99.2% (129) of the sampled households possessed different types of livestock. Only 0.8% (1) of sampled respondents do not own livestock. The average number of oxen, cows, bulls, calves, heifers, sheep, horse and donkeys owned by all survey

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[21] Chat (botanical name, C. edulis) is a lofty tree that grows up to a height of 50 feet (15 meters), has red-hued branches, oval-shaped, rubbery leaves, and produces petite yellowish or white flowers. Chat is used in the form of a social drug and many people also chew it fresh or take it in the form of infusion to cure medical conditions, for instance malaria. People in Africa take chat in old age, as it is said to be energizing and augment mental functioning. http://www.herbs2000.com/herbs/herbs_chat.htm.

respondents is 54, 22,40,44,22,22,58,52 and 20 respectively (see table 4.9). The table also shows that the average farmer owns less than four livestock. Almost all (129) the respondents in the hinterland have reported that they owned a pair of oxen (see table 4.9).

Table 4.9: Distribution of the Hinterland Respondents by Livestock Type and Ownership

	Types of Livestock Owned								
No.	Oxen	Cow	Bulls	Calves	Heifer	Sheep	Horse	Donkey	Chicken
One	14	1	30	37	36	10	98	66	-
Two	103	31	50	55	43	22	13	34	-
Three	6	44	16	27	31	32	-	2	14
Four	1	32	2	2	14	44	-	-	40
Five	-	15	1	3	3	10	-	-	35
>Five	-	6	2	2	1	11	-	-	40
None	5	-	30	3	1	-	18	38	-
Total	129	129	129	129	129	129	129	129	129

Source: Own field survey, 2012

4.2.6 Occupational Diversification of the sample Hinterland Family

Rural non-farm activities are sources of extra money for hinterland farmers besides agricultural production. These non –farm activities include daily laborer, transporters (transport service provision), local beer (Tela/Katicala) selling, quarrying, grain trading and petty trading activities. Hence, Hosanna town is expected to serve as a source of raw-materials, place of work and above all market centers for non-farm products. The finding of this study indicates that rural non-farm sector is promising with more than half of sampled farmers who took part in the activity (see table 4.9).The motivations and determinants of non-farm activities, however, are many and are s ubject to an intense debate. Some literatures identified off – farm employments are the result of development of manufacturing industries, improved urban services (Okali et al. 2001), agricultural growth (Evans 1990), trade liberalization and access to credit and land (Diyamett et al.

2001). The result of the survey report, however, shows that these do not fit well with case of Hosanna and its hinterland. Accordingly, the reasons behind an increase /relatively/ of non-farm employment in the study area is shortage of agricultural land (by 67% of the respondents) flowed by the need of supplement income for farming (by 30% respondents).

Table 4.10: Distribution of the Hinterland Respondents by Rural non-farm activities

	Rural non-farm activities	Percent (%)
Involved in non-farm activities		
Yes	102	78.4%
No	28	11.6
Reasons for undertaking		
Supplement income for farming	31	23.8%
Major means of livelihood	20	15.3%
Decrease in agricultural productivity	-	
Land shortage	79	60.7%
Landlessness	-	

Source: Author's field survey, 2012

4.3 Economic Characteristics of the Sample Households in Hosanna Town

One of the best indicators of the economic situation of an urban center is the types of activities that most of its resident is depending on as they attempt to eke a life in increasingly competitive jobs and output markets (Solomon, 2008). As discussed in the chapter three of this study, the mass of the dwellers in the town are driving their livelihood by undertaking small and medium trade, government employment and farming in the surrounding areas. This section assesses economic characteristics of the sample households in order to get some clue for further analysis.

4.3.1 Sources of Household Income

As indicated in table 4.11, the most important source of income among the respondents is public sector employment. This is because about 32.7% of respondents are government employees. In this regard, the result of FGDs indicates that branch offices of various governmental departments in the town due to its status, as zonal capital is one of the causes for increase the numbers of government employees. From this viewpoint, it looks like that Hosanna is nothing more than a public administrative center (see table 4.11).The survey report in table 4.11 also indicates that trade is relatively the second most important means of livelihood in the town as it supports about 20% of the respondents as their main source of income. About 7.27% of respondents are private sector employees. About 8.2% of respondents are earning their income from hand-craft and about 8.2% of respondents are daily labor. In addition to trade and government employment, about 2.7% of the respondents reported that agricultural activities are their main income sources. This observable fact indicates that Hosanna has a strong urban character irrespective of its poorly industrial development (see also Solomon, 2008).

The finding from FGDs implies that Hosanna is serving as trading center and as an administrative center. The town receives a considerable number of visitors from other towns and regions. Some interviewees argued that presence of the only hospital of the Zone in Hosanna and its location as well as its economic linkage with other urban areas and its hinterlands is among those factors that attract visitors to the town. Regarding this, there are three major spatial linkages with regional highways. These are Addis Ababa and Ziway in the northeast; Shashemene, Sodo, and Arba-minch in the south; and Wolkite and Jimma in the northern directions (please refer section 3.2.8 in the chapter three).

Table 4.11: Distribution of Urban Respondent by Type of Primary Occupation

	Number of respondent	Percent
Agriculture	3	2.7
Trade	22	20
Handcraft	9	8.2
Daily laborer	9	8.2
Government employee	36	32.7
Private sector employee	8	7.27
Driver	6	5.45
Others	12	10.9
Masonry	5	4.34
Total	110	100

Source: Author's field survey, 2012

4.3.2 Types of Business activities

In order to assess economic nature of Hosanna town, the town respondents were asked regarding their business and table 4.12 shows distribution of household in business by type of business enterprise. Accordingly, 17.27% of the respondents are engaged in sale of crops/grain; 8.2% are engaged in sale of livestock and livestock products; 10% are engaged in sale of fruits and vegetable, and 2.72% are engaged in sale of building materials. On the other hand, total number of the respondent engaged in mailing services, cafeteria/tea, sale of clothes, sale of local drinks and carpeting are 1.8%, 12.7%, 5.45%, 1.8%, 10%, and 5.45% respectively (see table 4.12).

Table 4.12: Distribution of Household in Business by Type of Business Enterprise

Type of activity	Number of respondents	Percent
Sale of crops/grain	19	17.27
Sale of livestock and livestock products	9	8.2
Sale of fruits and vegetations	11	10
Sale of building materials	3	2. 72
Mailing services	2	1.8
Cafeteria/tea	14	12.7
Sale of close	6	5.45
Sale of local drinks	2	1.8
Transportation service	11	10
Carpenter	5	4.45
Beauty salon	4	3.6
Small retail shop	11	10
Rent of animal carts	1	0.9
Sale of fire wood	1	0.9
Tailoring	3	2.72
Others	8	7.27
Total	110	100

Source: Author's field survey, 2012

About 7.27% of the town households are involved in other activities like urban agriculture and house renting in informal activities such as street vending, fetching water, house

broker...etc. According to the report shown in table 4.12, the majority of respondents are engaged in sale of crops/grain, cafeteria/tea, small retail shop, fruits and vegetations, providing transportation service, and in sale of livestock and livestock products accounting about 17.27%, 12.7%, 10%, 10%, 10% and 8.2% respectively. The town acts as a marketing centre for agricultural products and industrial goods, as well as a service centre.

4.3.3 Occupational Diversification of sample Households in Hosanna Town

The survey result indicates that urban households are diversifying their income sources by involving in different activities though government employment is primary employment for most of the respondent (see table 4.11 and 4.12). Some of them are engaged in trading and service provision. More specifically, 17.27% of the respondents are engaged in sale of crops/grain; 8.2% are engaged in sale of livestock and livestock products; 10% are engaged in sale of fruits and vegetables, and 2.72% are engaged in sale of building materials. The number of respondent engaged in mailing services, cafeteria/tea, sale of close, sale of local drinks and carpeting are 1.8%, 12.7%, 5.45%, 1.8%, 10%, and 5.45% respectively (see table 4.12). About 7.27% of urban households involved in other activities like urban agriculture and house renting in informal activities such as strait vending, fetching water, house broker...etc. In addition, house renting is another source of income for about 59% urban respondents. Surprisingly, about 18% of respondents are engaged in the informal sector. It is observed that there is good opportunity to the urban dweller to be engaged in urban farming because the government is improving working environment through encouraging and funding MSEs in the town. These in turn encourage them to diversify their income source.

Survey report of the study indicates that the costumers for the diversified actives are urban dwellers living in the town as well as dwellers outside the study area.

4.4 The Pattern of Rural-Urban Economic Linkages in Hosanna and Its Hinterland

The nature of rural-urban economic linkage could be identified by looking at spatial flows of goods and services (marketing linkage), financial linkage, and inter-sectoral

linkages. These linkages are however, constrained by a number of problems and the details are discussed as follows:

4.4.1 Marketing Linkage

Expanding urban population demand increased supply of food especially fresh vegetables, eggs and dairy products. Similarly, rural population also needs industrial products: durable and non – durable goods and services, agricultural inputs and the like. As result, marketing is an important livelihood strategy for the rural people as well as for the urban population. Marketing allows farmers to sell their agricultural produce and to purchase goods for consumption and production. This type of linkage can be manifested through flow agricultural goods and industrial goods (refer section 2.2.5.1of chapter two).

Flows agricultural and industrial goods are some indicators of the linkages that exist between the rural and urban areas. The volume of marketed grain for example could be an indication of the grain flow. Grain and livestock marketing represents the major form of agricultural good flow between rural and urban areas. Tegegne (2005) also argued that market for grain is the largest of all markets in Ethiopia. It involves numbers of farmers and consumers as well as a number of private marketing agents providing marketing services: buying, selling transporting processing, retailing etc. In line with this, the detailed analysis is done based on the reports of survey respondents.

4.4.1.1 Marketing of Agricultural Goods

Grain Marketing

According to Tegenage (2005), grain marketing is the major form of agricultural goods flow between urban and rural areas and it involves millions of farmers and consumers as well as a number of private marketing agents providing diverse marketing services: buying, selling, transportation, storing, processing and retailing. Regarding grain marketing, rural survey respondents were asked to identify the main purposes of producing grain crops and about 63% of the respondents produce grain crops for both sale and consumption purposes while 35% of the respondents for consumption and 3% of

the respondents produce crops for sale only. Among the respondents that produce grain crops for both sale and consumption purposes, about 70% respondents were within the distance of 4kms, 68% respondents within the distance of 8kms and 43% of the respondents were within a distance of 12kms. This shows that farmers in the proximity of the urban areas tend to be market oriented rather than farmers in the remote areas. Therefore, distance has a direct relationship with the rural-urban marketing linkage in the hinterland.

Regarding place of sale, about 2% respondents sold for Cooperative Union within PAs, 33% for local traders, 47% for town traders in Hosanna town, 18% for town consumer. Accordingly, marketing of grain for consumers is not directly from producers rather from other sources. FGD with rural farmers indicates that the reason for selling of grains for town trader and local trader is availability of open market in the hinterland. In addition, it is common to see both rural and urban households took part in buying grains in open markets in the hinterland to realize the livelihood strategies. This situation increases interaction between urban and rural dweller through grain marketing. We can conclude that there is a strong rural – urban linkage through grain trading because the majority of the respondents sold the grain in Hosanna town. The survey report indicates, less than half (46%) of produced grain is marketed because the bulk of the production remains in rural areas for different purposes: consumption, seed and feed. Regarding the volume of produced and sold, wheat, teff and beans are the most important grain crops in the hinterland accounting for 56%, 22% 12%, and 9% respectively. Of all crops, wheat accounts for the highest amount of produced and marketed grains in the study areas. The reason for this is because wheat in relatively dominant grain crop in the hinter land (see chapter three). This proves that wheat market has relatively strong linkages with urban centers and plays a crucial role in strongly linking the hinterland with the networks of markets.

Livestock Marketing

In this section, detail discussion about marketing of livestock is done and the result of the survey (see table4.13) indicates that, the sampled households have owned 2323 total main

livestock in the last 12 months. Of which Cows represents greater share (21%) of total livestock unit, followed by Sheep (18.5%), calves (15.7%), heifers (11.6), bulls (11%), oxen (10.5%), donkeys (6%) and horses (5%) respectively. Regarding the total percent of sale, 50% of total owned livestock were sold in the study area. From the total of marketed livestock, sheep, oxen, bulls and cows have greater share of the total owned livestock accounting 74%, 43%, 42.9%, and 40% respectively. Oxen and sheep are shown as the most important livestock in creating rural – urban marketing linkage in general and livestock marketing in particular since the amount of the sold and bought is relatively high: sale is about 74% and bought is about 45% for sheep, and 43%and 40.3% for oxen. This indicates that Sheep and oxen are found to be the most liquid livestock. Comparing grand total of owned and sold, the study area has a strong livestock marketing linkage since 50% of total owned livestock are supplied to the market. In addition, this clearly shows that livestock resources in the hinterland are not only used for domestic purposes but also for other purposes (see table 4.13). Survey report also shows that Hosanna town is the major market place to buy and sell livestock accounting for 78% of the hinterland farmers while about 3% and 19% of farmers indicated that they have been buying and selling livestock in rural market and other place respectively. Hosanna is the most important market for livestock in the study area, since most of the farmers have sold and bought their product in the town.

Table 4.13: Destitution of farmers by livestock owned, Sold and bought in last 12Months

Livestock	Owned	Average	Sold	Bought
Oxen	242(10.5)	121	103(43)	98(40.4)
Cows	499(21.5)	250	198(40)	65(13)
Bulls	261(11)	130	111(43)	43(16.4)
Heifers	269(11.6)	135	98(36.4)	76(28.2)
Calves	366(15.7)	183	50(13)	21(5.7)
Sheep	431(18.5)	216	321(74)	200(45)
Horse	124(5)	62	21(17)	9(7.2)

Donkey	140(6)	70	50(36)	8(5.7)
Total	2323(100)	967	952(50)	520(22.4)

Source: Author's field survey, 2012

Fruits and Vegetables Marketing

Regarding the Fruits and Vegetables production, the survey report from farmers indicates (in table 4.14), about 89% have produced fruits and vegetables in the last three years but this produce is not for sale rather most this entire product (91%) is mainly for household consumption. About 11% of the respondents reported as never been produced fruits and vegetables in the last three years. From those who produce fruit, about 9% of the respondents reported as they produce for sale and for domestic household consumption.

Table 4.14: Destitution of Farmers by fruits and vegetables marketing production

Did you produce fruits and vegetables last year?		
	Frequency	Percent
Yes	116	89
No	14	11
Purpose		
Only For sell	-	-
For sell and consumption	34	9
Only for household consumption	106	91
Reason not to produce		
Shortage of water	45	34.6
Shortage of land	25	19
Lack of modern inputs and seed	57	44
Other	3	2.4
Total	130	100

source: field survey, 2012

4.4.1.2 Marketing of Industrial Goods

Flow of durable and non-durable goods (industrial goods) between urban and rural areas are indicators of the linkage that exist between the spatial units and are crucial livelihood strategy for those living in town as well as in rural areas. Therefore, flow of this goods and services has a number of inferences for rural-urban linkages.

Table 4.15 presents important data collected on farmers' expenditures on non-durable goods and place of purchase. The survey report indicates that the majority of farmers purchasing non-durable goods such as soap, sugar, salt, matches, and kerosene, while just about half of the farmers stated expenditure on shoes and clothes.

Table 4.15: Destitution of Hinterland Farmers by expenditures on non-durable goods and place of purchase

Non-durable Goods	Frequency	Ave. Exp/birr
Soap	130(100)	1285
Coffee	130(100)	2700
Edible oil	130(100)	1135
Pepper/spice	130(100)	3205
Sugar/tea	130(100)	1825
Match/battery	130(100)	1020
Kerosene	130(100)	520
Cloth	130(100)	4830
Shoes	130(100)	3130
Medicament	130(100)	1830
Recreation	87(67)	1065
Cloth	130(100)	1285

* Note: Figure in Parenthesis is Percentages Source: Author's field survey, 2012

Table (4.15) indicates that sampled farmers in the hinterland have purchased non-durable goods such as soap, edible oil, pepper/spice, match/battery, coffee and sugar/tea but they

have shown relatively less demand to kerosene, cloth, shoes, medicament and recreation. Overall, 22,445.00 Ethiopian Birr have been expended by hinterland farmers to purchase durable goods per month. Regarding place of purchase, FGD result shows that more households within a distance of 4kms are found to purchase more consumption goods than that of within a distance of 6kms and 12kms respectively. More specifically, 81% of farmers within a distance of 4kms have purchased all sorts of goods from Hosanna town followed by (49%) the farmers within a distance of 8kms, and (21%) 12kms respectively. Sampled respondents within a distance of 6 and 12kms were purchased most non-durable goods in the markets within peasant association or in kebele. Therefore, that farmers within the 4ms of radius in the hinterland have better access to visit Hosanna town than farmers within the 4-12kms of radius from Hosanna town (see table 4.15).

Table4.16: Distribution of rural households by purchased durable goods

Durable goods	Frequency	Ave. Exp/birr
Tape/radio	130(100)	3040
Watch	130(100)	530
Utensil	130(100)	3210
Bed	130(100)	1805
Jewelry	130(100)	10564

* Note: Figure in Parenthesis is Percentages Source: Author's field survey, 2012

Regarding marketing of durable goods, few rural dwellers reported the purchase of durable goods such as radios, tapes, watches, etc., chiefly from Hosanna town. The farmers in the study area were not found more dedicated to purchase durable goods as compared with non – durable goods. Moreover, small numbers of farmers are reported to purchase durable goods than non-durable goods. On the other hand, the findings show that relatively most farmers within the distance of 4kms are found to purchase more

durable goods than households with in the distance of 6kms and 12kms respectively. More specifically, 21.2% of farmers within the distance of 4kms have purchased all sorts of durable goods followed by 6kms (19%), 12kms (13%) respondents.

Regarding place of purchase, almost all respondents purchased durable goods from Hosanna town. This indicates that such higher order of goods require larger threshold populations and covers higher influencing area than that of non – durable goods. In this way, Hosanna town serves as a center distribution for industrial goods and role linking the town with its hinterland.

4.4.2. Inter-Sectoral Linkage between Hosanna and its Hinterland

4.4.2.1 Backward Production Linkages

Backward production linkage includes destitution of inputs and occur where agriculture take in farm inputs produced by local industries or supplied by nearby urban center. In turn, small towns are expected to improve farmers' access to farm inputs and services. Mutually reinforcing pattern of linkage between an urban center and its hinterland will result the vicious circle of rural -urban development. Therefore, nature of backward production linkage in the study area is discussed as follows:

Agricultural Inputs Usage

As presented in table 4.17, that the survey respondents were asked regarding the use of farm input such as chemical fertilizers, selected seeds, and herbicides and pesticides. The report of respondents show, almost all (100%) of the sampled farmers used chemical fertilizer. On the other hand, the data collected on the amount of farm inputs shows that hinterland farmers have used 55,900 kg of chemical fertilizers in the last 12 months. It is therefore, likely to assume that the average farmer in the hinterland used 4,30kg of chemical fertilizer. Besides, the table (4.17) indicates the farmers were expanding totally 503,100 birr to buy 55,900kg chemical fertilizers in the last 12 months.

According to the report from the respondents, selected seed is the second mostly used input in the hinterland. About 43% of respondents have used about16,800kg of selected seeds expanding 168,000 birr to purchase it in the last 12 months. Another farm input used in the hinterland is herbicide that is closely used by 100% of farmers expending 9450 Ethiopian birr to purchase 135liters of weed control. Pesticide is the least marketed farm inputs in terms of farmers' participation (26.1%), amount of used (0.1kg) (see table 4.17). Regarding to supplies, 11,000kg, 168,000kg and 103 liters of chemical fertilizers, Selected Seeds, and herbicides respectively are supplied by Cooperatives Unions. The traders as well identified as the second most important suppliers of chemical fertilizers (11000kg), Pesticides (0.1kg) and herbicides (32 liters). Therefore, the most important supplies of agricultural inputs in the hinterland are the service cooperatives and traders (see table 4.17).

Regarding place of purchase, about 73 % of farmers purchased chemical fertilizers from Hosanna town while 24.6% of them purchased from Cooperatives within their PAs. About 2.4% of respondents purchased chemical fertilizers from other area outside the study area. On the other hand, improved seeds are totally supplied by unions in the Pas/in the hinterland. Hosanna town is the principal provider of herbicides (76.1%) and pesticides (100) respectively. About quarter of the herbicides (24.9%) was provided by unions in the hinterland (see table 4.17).

Although most farmers in the hinterland used agricultural input, their report indicates that there are other factors affecting the use of inputs. Accordingly, the most identified pertinent factors are high cost of fertilizers and improved seeds and herbicides as a principal obstacle that hinders their usage (see table 4.17).

Sampled households were asked to describe the temporal patterns of input usage in the last three years. Accordingly, about 98% were reported that overall trend of inputs usage in the last three years is increasing while the rest 2% of farmers asserted that their input usage remain the same without showing change in the last three years. Unexpectedly, no one of the respondents indicated that input usage has been decreased (see table 4.17).

Table4.17: Distribution of rural households by usage of agricultural inputs and place

Descriptions		Type of Agricultural Inputs			
		Fertilizers	Selected Seed	Herbicide	Pesticides
Total number of users		130(100)	56(43)	130(100)	34(26.1)
Amount purchased		55900kg	16800kg	135liter	0.1kg
Total cost incurred (Birr)		503100	168000	9450	-
Suppliers	Traders	11000kg	-	32 liters	0.1kg
	Cooperatives	54900kg	168000kg	103 liters	-
	Others	-	-	-	-
Place of purchase	Hosanna	32(24.6)	-	99(76.1)	34(100)
	With PA	95(73)	56(100)	31(24.9)	-
	Other	3(2.4)	-	-	-

* Note: Figure in Parenthesis is Percentages Source: Author's field survey, 2012

The findings indicate that fertilizers, selected seeds, weed killers, veterinary services and professional support are some of the agricultural inputs and services provided to the farmers. This shows that there is a linkage between hinterland and its urban center (Hosanna) in the supply and use of fertilizers and improved seeds even though there are a few problems hindering the linkage. In other words, there is good back ward rural-urban

linkage between Hosanna and its rural hinterland (see table 4.17). This is because an increase in usage of farm inputs can boost agricultural productivity, which in turn can enhance the economic linkages between the hinterlands and the urban centers. According to Evans (1992) the vicious circle of rural-urban development envisages mutually reinforcing patterns of linkages between an urban center and its hinterlands, which stimulate the growth of both agriculture and non-farm activities.

Veterinary and Extension Service Usage

Veterinary and extension services are the other key factors for better agricultural production and productivity in rural areas (Muluadam, 2009). From the 130 rural household respondents, about 81 % of the farmers indicated that they have access to extension services while the rest 19% of respondent farmers reported as not accessed due to shortage of extension workers (65%) and high cost of the services (45%). As observed by Muluadam (2009), the same situation is true in the hinterland considering that there are three agricultural extension workers (plant science, animal science and natural resource professionals) and one health extension worker (veterinarian) in each rural kebele. This facilitates good opportunity to enhance rural-urban linkage since extension workers are playing a crucial role in support agricultural production and productivity by introducing farmers with new technologies and farming systems.

Regarding place of purchase, PAs is principal market centers for 79% of veterinary service users. About 21% of respondents received the service from Hosanna town. The data regarding the provider of services indicates that the government is the sole provider of veterinary services to hinterland farmers followed by the private sectors although the role of private sectors in veterinary service provision is limited. Almost all of the survey respondents (95%) receive advice on crop production within the peasant association but a few livestock owners (26%) receive veterinary services from private veterinary clinics in Hosanna town. Those livestock owners who receive veterinary services from private veterinary clinics have complained that the services by private sector are relatively expensive and unaffordable for low-income rural farmers.

Regarding the problems in veterinary and extension service usage, more than 80% of the surveys respondents identified shortage of veterinarian and high cost of the services are as the principal limitation to the access of the services in the study area (see also Muluadam, 2009). Although the situation can limits access to the service, the problem is not critical since the majority of rural farmers have access to the extension services provided by the government in affordable price. Thus, it could be concluded that the hinterland has good rural – urban linkage in the case of flow of veterinary and extension services.

4.4.2.2. Forward Production linkage

Forward production linkage includes processing of output and supply of raw materials for processing and distribution. According to Helmising (2000), cited in Muluadam (2009), a growing and surplus producing agriculture will inspire establishment of agro-processing industries in the adjacent urban center. Agro-industries are the main types of industries with which agriculture will have significant forward linkages. According to Solomon (2001); cited in Tegegne(2005), the industrial structure in Ethiopia shows that food, beverage and textile industries account for 51% of the gross value of production in 1995/96. Tegegne (2005) argued that food, beverage and textile industries together with leather and tobacco industries have strong potential linkages with the agricultural sector.

Although these industries have crucial role in processing raw materials supplied by agricultural sector, add values to the farmer's produce, and generate employment opportunities (Helmsing, 1998), the study area(Hosanna town) is under developed regarding these industries. Moreover, the study area has no such industries though the there is potential of raw materials that industries could use. For instance, the Zone (Hadiya Zone in which the study is conducted) is well known in the SNNP region with production of wheat, teff and maize cereal crops. Infrastructure: the asphalt road, that crosses from Addis Ababa through Butajira to Wolayita Sodo, can be made to access for the product market and inputs from other areas. But there is no agro-based industry except flour factories that could absorb raw materials supplied by hinterland farmers.

Rural survey respondents were asked to identify the main purposes of producing grin crops and about 63% of the respondents produce grain crops for both sale and consumption purposes. As already presented in table 4.13, about 50% of respondents were supplied with livestock to market. But none of them were supplied directly to industries in the hinterland (see table 4.13). The sample survey and FGD report indicates the nearly 74% of farmers have got grain mill service within PAs while the rest 21% and 5% got the service from Hosanna town and from both areas respectively. About 87% survey respondents reported that the reason for weak agriculture and industry linkage is the lack of agro-processing industries. In line with this, Tegegne (2005; page, 66) argued:

> *The features of rural industries in Ethiopia indicate small-scale industries are mainly concentrated in few major urban centers. Those outside major centers account for only 34 % of the total employment in small-scale industries. Food products and beverages are by far the most important types of industries. The industries on average hire only about 3.3 persons per establishment. Hence, its contribution towards employment is very limited. The output contribution of small-scale industries is very negligible. Those outside the major urban centers contribute only 1 and 0.7 % to the total gross value and value added respectively. Cottage industries in the country are numerous accounting for 76 % of enterprises. Their employment potential however is very limited as they average 1.3 persons per establishment. Their contribution to outputs is low. They form only 24% of the output. Cottage industries have limited capital, are informal and seasonal in character. Most of the persons engaged in cottage industries are also illiterate. Generally, small-scale industries and cottage industries in Ethiopia are underdeveloped.*

Therefore, it is clear that forward production linkage between hosanna and its hinterland is almost non - existent. Tegegne (1999) also came up with like finding.

4.4.2.3 Consumption and Linkages

Consumption linkages result from the expenditure of farm incomes on locally produced consumer goods and services (Bagachawa and Stewart, 1992). According to Abebe (2001), agriculture in Ethiopia is revealed to have a stronger linkage with the consumptive sector rather than the productive industrial sector. In this regard, Teff, a crop that is use directly for consumption, is found out to be the single most important crop with the highest marketed surplus. He also argued that the service sector, particularly the hotels and tourism, have the highest investment. In line with the above argument, the writer attempted to assess the extent and nature of consumption linkage in the study area.

Consumption Linkages of the Hinterland Farmers with Hosanna Town

As indicated in table 4.18, almost all of rural survey respondents consumed non – durable goods within a month. Only recreation service consumption accounts for 67% of the total respondents. In terms of expense cloth and shoe, spice, coffee have high monthly expenditure accounting for 4830, 3130, 320 5, 2700 Ethiopian birr respectively. Table (4.18) also shows that expense for kerosene is the lowest(520)birr followed by , battery(1020), recreation (1065),edible oil (1135), soap (1285), sugar (1825), medicament (1830) and coffee (2700) respectively.

According to Hosanna finance and Economy Development Office Socio-economic data (2008), there were 150 investors registered working in the town. Out of which majority are engaged in service sector like in Hotels, cafeterias, and restaurants, only about 6.6% investors are engaged industry.

Table 4.18: Distribution of household by expenditure on non – durable goods per month

Non-durable goods	Frequency	Percent	Ave. Exp/birr
Soap	130	100	1285
Coffee	130	100	2700
Edible oil	130	100	1135
Spice	130	100	3205
Sugar/tea	130	100	1825
Battery	130	100	1020
Kerosene	130	100	520
Cloth	130	100	4830
Shoes	130	100	3130
Medicament	130	100	1830
Recreation	87	67	1065

Source: Author's field survey, 2012

Tassew (2000), cited in Tegegne (2005), found general relationship between farm and non-farm and showed that there is a high correlation between distributive trade and farm output (as opposed to a negative correlation between farm output and service trade and small and micro enterprises. In these regarded findings of FGD, interview and personal observation indicates that services include construction, repair, tailoring, photographing, transport, shoe shining, haircut and the like occupy the largest number of establishment in the towns. Food and drinks activities have the highest level of establishment in the towns. On the other hand, manufacturing and processing signified less both in terms of employment and number of establishment. The major costumers of these services are rural and urban dwellers. Rural customers for hotel and restaurant are greater than that of urban customers.

Table 4.19: Distribution of households by purchased durable goods in the last Twelve Months

Durable Goods	Frequency	Ave. Exp/birr
Tape/radio	130(100)	3040
Watch	130(100)	530
Utensil	130(100)	3210
Bed	130(100)	1805
Jewelry	130(100)	10564

* Note: Figure in Parenthesis is Percentages Source: Author's field survey, 2012

In general, hinterland farmers have a strong consumption linkage (see Tegegne, 1999 and Goitom, 2005). Another dimension of consumption linkage that exists between Hosanna and its hinterland is the purchase of construction materials. Among sampled farmers, 64% of them indicated that they have purchased construction materials of any kind. Corrugated iron sheet which is the most frequently purchased construction materials by hinterland In terms of market center, more than half (60%) of respondents indicated that they have purchased construction materials from Hosanna town while the rest 31% were purchased within PAs. The rest, 19% of reporting farmers indicated as they have purchased construction materials from both Hosanna town and PAs. Therefore, Hosanna and its hinterland rural montPAs are linked together through the supply and purchase of construction materials.

Consumption Linkages of the Urban Household with Hinterland Farmers

It is supposed that rural hinterland farmers can fulfill demands of urban households for farm agricultural products. Regarding this, most urban respondents purchased food crops such as Teff (60%), wheat (100%), pea (62%), bean (84%), maize (28%) and other (23%) from the hinterland. In addition, average household purchased teff (32kg), wheat (76kg),

pea (11kg), maize (6.2kg), other (20kg) per month that supplied by hinterland farmers. About 97% of the respondents reported as they purchased these agricultural products from Hosanna town. This shows that wheat is the most supplied and purchased food crop in the study area. Other crops are not supplied to the market in large quantity as compared with wheat. In this regard, data through FGDs indicates that the farmers outside the hinterland supply other food crops particularly teff and maize because such crops are not produce for marketing purpose by the hinterland.

Regarding purchase of fruits and vegetables about 5% of the urban respondents purchased onion, about 6% of the urban respondents purchased tomato, about 59% of the urban respondents purchased potato, about 2% of the urban respondents purchased pepper, about 9% carrots of the urban respondents purchased, and about 100% of the urban respondents purchased cabbage. This shows that almost all purchased items are vegetables. Thus, fruits not frequently purchased by the urban households. The interviewee of trader indicated that fruits are not supplied by the hinterland farmers due to low production of such fruits in the hinterland and the demand of the urban dwellers are fulfilled by trader. Thus, urban traders are the main suppliers of fruits and vegetables to the urban dwellers from other farmers outside the hinterland.

Purchasing of animal products, charcoal and fuel woods by urban households in Hosanna is shows that strong linkage. Charcoal and fuel wood are the principal sources of energy used for cooking in the study area. About 76% and 70% of sampled urban households indicated that they often purchased charcoal and fuel-woods bought from the farmers in the hinterland. Farmers the hinterland are chief suppliers of charcoals and fuel wood for 90% of urban dwellers while Hosanna is the principal market place where all (100%) of the charcoal and fuel wood are purchased. Thus, the hinterland farmers are linked with urban dwellers through the supply of charcoal and fuel – woods flowed by urban trader.

The survey result shows that the supply of animal products: milk and milk products for urban households is negligible. Thus, the hinterland farmers are not linked with urban dwellers through the supply of milk and milk products. Instead, demand of household for

this product is fulfilled by urban area itself and urban dairy farming is the most important in this regard. The results of the survey indicate that the hinterland farmers are not the only or principal suppliers of consumption goods. The excess demand urban household is meeting from farmers outside the hinterland and traders in the town.

Generally, consumption linkage in the study area is relatively strong than forward production linkage. In addition, the tables (4.181 and 4.19) indicates, expenditure of rural household income on durable and non – durable consumer goods covers lion share of total consumption than other goods.

4.4.3 Financial linkage

The financial flow between rural and urban areas is a crucial sign of linkage. Financial intermediaries are important agents in streaming the flow of finance principally from urban and rural. The nature of rural-urban linkages depends on the size of credit, the place where credit is obtained from and the strength of social capital to undertake agriculture, non-farm activities and migration. Accordingly, sampled farmers were asked regarding the financial linkage between Hosanna and its hinterland.

Table 4.20 shows none of rural dwellers receives loans from banks. The major sources of loan are informal financial institutions, involving relatives and friends in villages (45.9%), moneylenders in villages (31.1%), urban savings and credit unions (19.6%). Informal credit also occurs between producers and urban traders. Few grain traders receive starting and working capital from rural-based farmers. Bank loans are non-existent. The majority of the rural dwellers have got credit from their own villages, thereby limiting the financial linkages. Informal credit is arranged among the producers themselves and between producers and urban traders as well. FGDs shows that half of rural households also sell marketable crops on a credit basis and are paid after the trader has sold the crop in Hosanna. Even if this system has the potential to improve the livelihoods of urban residents, it shows limited financial linkage.

A region-wide initiative has introduced micro credit for farming and non-farm activity, with loans from the 'Omo' Credit and Saving Institution. About 45 % of respondents borrowed money from this source but the absence of group collateral and PA's evaluation limit access for the poor. In addition, the high interest rate (12.5%) and repayment of debts, particularly during poor harvesting seasons, are other problems of the credit institution. This situation reduces farmers' potential for raising incomes from agriculture and non-farm activities, thus confining the flow of goods and finance between rural and urban areas. With regard to saving, the size of capital saved and place of saving also have implications for linkages. None of the farmers mentioned using a bank as a place for saving money. Both villagers and urban dwellers reported local informal rotating saving schemes (iqqub), followed by keeping their savings at home in a money-box. Almost 91% of villagers and 43% of urban dwellers did not deposit money at all. This may be due to their low incomes and indicates weak linkages.

Table 4.20: Distribution of households by access to credit

Access to credit	Rural	Urban
Yes	61(46.9)	65(59)
No	69(53)	45(40.9)
Total	130(100)	110(100)
Sources of loan		
Bank	-	20(30.7)
Relatives and friends in village	28(45.9)	-
Relatives and friends in town	12(19.6)	25(38.4)
Traders in town	-	-
Urban saving and credit union	2(3.27)	20(30.7)
Moneylenders in village	19(31.1)	-
Total	61	65(100)

* Note: Figure in Parenthesis is Percentages Source: Author's field survey, 2012

The business owners' interview shows, high taxation as the most important constraint to business development in town and in marketing goods. This suggests that the regulatory policy system discourages the expansion of trade, hence limiting rural-urban linkages. Because of the low purchasing power of the local people and the overcrowding observed in the informal activities, low demand and high competition constrain business activities. These business owners also reported poor road connections and the high costs of transportation as impeding factors in linkages. Lack of information on market prices is, however, no longer a problem for town dwellers as information on the prices of goods is sent by telephone from traders and commission agents. Most of the traders in town believe that the returns from trade activities in the past ten years have improved, possibly due to the disappearance of service cooperatives and agricultural marketing boards under the trade liberalization policy. This allows the active participation of the private sector in retail activities and allows town dwellers to engage in several activities by reducing the lengthy bureaucratic license withdrawal procedures. In turn, this strengthens rural-urban linkages.

4.5 Entrepreneurial Outreach to farming and Agriculture in the study area

Tegegne (2005) argued that investment and re-investment in farming could come not only from the rural sectors but also from urban sectors. Entrepreneurial outreach to farming and agriculture is needed to boost agricultural production in one hand rural-urban linkage in other hand. This in turn helps urban dwellers to diversify their livelihood by participating in different investment opportunities to ensure food security and reduce vulnerability. In addition helps to commercialization of agriculture.[22]

Therefore, urban households in Hosanna town were asked whether they invested in the rural areas or not and their reports show that about 2.7% of the sampled urban households undertook rural investment as their primary or supplementary activity while the rest 94.3% of them were not participated (see table 4.11). From 2.7% of respondents who undertook part in rural investments, about 80% got access to land through inheritance and

[22] Tegegne (2005), Ibid

they used the land for crop production. The rest 20% are rented-in the land from the rural farmers. However, their agricultural product is only for household consumption and they are commuters at peak agricultural season. Therefore, there is weak entrepreneurial outreach to farming and agriculture. The respondents reported that shortage of farming land in rural area, lack of finance to rent-in land and lack of transportation access pointed out as principal factors to engage in farming activities in rural areas.

4.6 Urban Traders and Their Role in fostering Rural – urban Economic linkage in the study area

As indicated above, trade is the second most important means of livelihood in the town as it supports about 20% of the respondents as their main source of income. Urban traders are the primary actors in promoting and strengthening rural-urban economic linkage. This section tries to assess in what extent traders are linked to hinterland farmers by grouping them in major trading categories.

4.6.1 Grain Traders and Their Role

As already shown in meteorology section, from total of 50 interviewed urban traders, 19 were selected from the grain traders. About 56% of interviewed grain traders reported that their relatives are the sources of their initial capital while about 31% reported personal asset (saving) is the principal source of their initial capital. The rest 10% and 3% of the interviewees reported micro-finance institutions and friends as their sources of their initial capitals respectively. There was no respondent reported that banks as his or her initial capital during the time of survey.

The result of interview indicated that the initial capital for the traders ranges from 6,000.00 to 120,000.00 birr. The current average capital is about 42,500.00 birr. The average sale of grain traders in the town was 800.00 birr in the times of conducting survey for the study.

In terms of place of purchase, wheat is mostly supplied by hinterland farmers accounting for 98% of total supply of wheat followed by teff, beans and maize accounting 66%, 64%

and10% of their respective total supply. Rural traders outside the hinterland supply large amount of teff for urban traders in the study area. What repeated again here is that wheat is the most important crop in terms of production and supply in the study area.

Almost all interviewees are responded that the principal consumers of their items are urban dwellers in the town. No interviewees reported that they supply grains to agro-processing industries. However, about 2% of the interviewees responded that they supply grains, mainly wheat, to Addis Ababa city.

In terms of remittance, about 76% of sampled grain traders remitted to the rural families while the rest 24% of them do not send remittance because most of their families are living in the town. In fact remittance is the most important source of income for rural as well as urban dweller in the Zone. This is because there high intercontinental migration particularly to Republic of South Africa. In this regard, Abinet (2011) argued that remittance and return migrant playing very important role in fostering rural – urban linkage in Hosanna and its rural areas.

The above findings indicates that there is a rural – urban economic linkages through grain traders and hinterland farmers by means of flow of grain and finance (remittance) between the two spatial units. Thus, role of the grain traders is the most important to boost linkage between Hosanna and its hinterland.

4.6.2 Non-Grain Traders

4.6.2.1 Industrial Goods Traders

To understand the role of non-grain traders, nineteen (19) traders were interviewed in the town were asked to assess role of industrial goods trades. Accordingly, about 26% of interviewed traders reported that their relatives are the major source of their initial capital while about 54%, 21% and 25% are reported personal asset, micro-finance institutions and friends are the principal source of their initial capital respectively. The average sale of traders in the town was 800.00 birr in the times of conducting the survey. The current average capital of the traders is reported as 69,000.00birr. Urban dwellers and hinterland

farmers as well as traders are the main customers of their business. These traders reported that (78%) they do send remittance to their rural relatives.

4.6.2.2 Fruits and Vegetables Traders

From total sampled interviewees, nine (9) were selected from the fruits and vegetables traders. About 81% of interviewed fruits and vegetables traders are reported that their personal asset is the sources of their initial capital while the rest 10% are reported friends are the principal source of their initial capital. About 5% of the interviewees reported micro-finance institutions as their principal sources of their initial capital.

What is surprising here is that there is no interviewee purchased fruits and vegetables from the hinterland. Almost all fruit and vegetable traders reported that the place of these items is from 'Kembeta' Zone, which is one of the Zones in SNNPR, Ethiopia. Therefore, the role of fruits and vegetables traders is minimal in linking rural and urban areas. However, the trader (67%) reported as they do send remittance to the rural relatives and engaged in rural farm activities (13%).

4.6.2.3 Charcoal and Firewood Traders

Most of the charcoal trades are rural dwellers and most of them are commuting to the town in three days in a week to sell their items. They reported that all their supply is sold in Hosanna town to urban dweller. Thus, urban dwellers in the town are the most important customers for the charcoal and firewood supplied by rural traders.

All the traders of charcoal and firewood are rural to urban commuters. Therefore, charcoal and firewood traders are playing critical role in linking rural and urban area by their engagement on off – farm activity.

4.7. The nature of Market and Marketing Service in Hosanna Town and its Hinterland

4.7.1 The Nature of Open Market Place in Hosanna Town

Marketing has a very significant role in rural-urban linkages. In addition, marketing is main form of rural-urban exchange that includes flow of agricultural goods, and

manufactured goods between urban and rural areas (Tacoli 2003) and it is one of economic activities in which rural-urban linkage takes place in the town. In the town, there are several small daily markets and one large weekly market place (locally called 'Kidame Gebeya') where the major transaction between different visitors takes place. This market is a place where both agricultural products livestock and livestock products, and industrial goods are transacted. The total area of the market is approximated about 5 hectares can accommodate approximately more than sixty thousand market visitors per marketing day.

According to interviewees, marketing in Hosanna town has many problems. Almost all of interviewees (95%) indicated that the market has experienced the problem such as lack of shelter in open market, crowdedness, sanitation and floods in rainy seasons. About 65% of interviewees were reported that the town does not have the necessary marketing facilities. Storage facility is reported as a major problem though are an important elements of marketing infrastructure since it allows farmers, traders to store crops when there is no demand and use them whenever needed (also see Tegegne, 2005). These problems negatively affect the existing linkage in the study area. Regardless of these problems, the market is playing great role in making an opportunity to link rural and urban areas.

4.8. Challenges of Rural – Urban Economic Linkages in the Study Area

The existing rural-urban economic linkages in the study area is constrained by a number of problems. As stated in first chapter of section 1.2 , linkage between rural and urban areas of Ethiopia is constrained due to the subsistence nature of agriculture, lack of participation of the private sector in input distribution, limited interest of the formal banks in financing rural people. The findings of the study also show all these problems are very important problems to hinder linkage in Hosanna and its hinterland.

According to Tegegne (2005), limited flow of finance to rural areas from banks and limited capacity of the existing MFIs to adequately cover and meet the demands of rural finance will reduce the development of rural areas and flow of finance from urban to rural areas. In line with this, the sampled respondents were asked and majority of the

rural respondents were reported that as they are not accessed to such services although MFIs are playing great role in this regard. For instance, major sources of loan for respondents are informal financial institutions: relatives and friends in villages (45.9%), moneylenders in villages (31.1%), urban saving and credit union (19.6%). Bank loans for rural dwellers are non – existent in the study area. As a result, majority of the rural dwellers have credit from their own villages, thereby limiting the financial linkages. Generally, there is problem of financing for rural and urban dwellers though this system has the potential to improve linkage (see table 4.20).

The other problem that hinders linkage in the study area is that being the town is administrative center rather than being the center of other economic activities. The survey result shown in table 4.11 indicates that about 32.7% of the urban respondents were government employer at the time of the survey (see table 4.11). Public sector employment is shown as a most important source of income for the urban respondents (see table 4.11). This shows that that Hosanna is nothing more than a public administration center (see also Solomon, 2008). This situation confirms the argument of Tegegne (2005): "the process and pattern of urbanization (being urban centers evolved as political, military and administrative centers rather than as a center of economic activities) is underlying factor that leads to weak urban-rural linkage." As observed, like other towns in Ethiopia (Fasika and Daniel, 1997; cited in Tegegne, 2005) the town is dominated by services functioning mainly retail traded and bars with complete absence of production related activities. Due to dominance of service-oriented enterprises in the Hosanna town, desired forward and backward linkages are under developed.

As presented in preceding sections agriculture shows more of a consumptive linkage rather than production linkage. Agro-processing industries in the study area are few. If any, they would have absorbed raw materials from the agricultural sectors and would have fostered stronger farm-nonfarm linkage. FGD result indicates that the study area experienced road problems though roads connect the rural and urban areas to bring about all kinds of linkages. The low level of the road network and poor quality of existing roads

are reducing communication and mobility in the study area. Particularly the absence of farm-market road is a serious threat to rural-urban economic linkage in the study area.

The rain-fed agriculture is common feature of rural economy in hinterland. As already presented in section 4.2.2, about 92 % of the farmers do not use other sources of water for farming. Few respondents use other source of water: irrigation, and water-harvesting. While irrigation is used by 3% of respondents and water-harvest is used by 10% of respondents. However, the land developed through water-harvesting and irrigation is very small (less than 0.5 hectares per person). This negatively affects rural urban linkage by lowering agricultural yield this in turn decrease forward and backward linkage. There is domination of the fertilizer market by cooperative unions is another threat for private sector development and rural and urban linkage in the study area (see table 4.17). Similarly the various problems faced by the grain market limits marketing linkage between rural and urban areas. The farming land size, which is constantly decreasing in the face of the fast growth of population resulting reducing of marketable surplus that reduces the linkage in the study area.

Generally, the nature of rural-urban interactions is influenced by several factors, ranging from geographical and demographic characteristics (including the nature of agricultural land, population density and distribution patterns) to farming systems to the availability of roads and transport networks. More specifically, population pressure on agricultural land, land fragmentation, lack of adequate road and transportation services, limited agricultural input, limited agricultural outputs, lack of agricultural technology, absence of agro – based industries, subsistence nature of agriculture and others are the significant problems that negatively affects rural – urban linkage in the study area. Memeheru (2010) also came up with the same result in line with this.

4.9. Prospects of Rural-Urban Economic Linkages in Hosanna Town and Its Hinterland

Section 4.6 of this chapter presented some important challenges that negatively affect rural – urban economic linkage in the study areas. However, assessing opportunities that

the study area does has a vital forward motion to strengthen rural – urban economic linkage. In line with this, pertinent documents are revised; FGDs and interviews are made with selected urban and rural households and officials. The results of these are summarized under this section. Policy environment of the country observed as the most important opportunity to strengthen rural-urban economic linkage in the study area. In this regard, road sector policy, and decentralization policies are the most frequently forwarded by FGDS, interviewees and selected to view in the study from the others (see also Tegegne, 2005).

According to Wandschneider (2004), cited in Tegegne (2005) Ethiopia has the most radical decentralization policies: the regional decentralization policy and the woreda level decentralization policy. Woreda level decentralization policy, which is started to be implemented since 2001 includes the move to strengthen local government including municipalities. Hubbard et al (2000) also argued that decentralization has several significance on rural off-farm activities and rural-urban linkages enabling local government in functioning as a key provider of rural services: road, clinics, school, agricultural and business services; a key decision maker in public investment (type, size, location), a key enforcer of regulation (taxes and licenses). These functions indicate the potential of local government in shaping rural-urban linkages.

In line with this, the study area has good opportunity because all rural and urban administrative units have potentials of strengthening the rural – urban economic linkage and creating bottom up approach to development. In other words, decentralization is good promise to strengthen rural – urban linkage in Hosanna and its hinterland. In turn it create an opportunity for the development of small and intermediate towns that could serve as collection and distribution centers of farm outputs and inputs in the study area.

The road sector policies have an important proposition enhancing the physical linkage between rural and urban areas this in turn ensure rural-urban linkages (Tegegne, 2005). According to official interviewee, Ethiopian rural travel and transport program is aimed at addressing the rural accessibility and mobility issue, working in collaboration with

sector development institutions, NGOs and private sector and the community. To this end, the local authority is working together to develop low standard rural roads. It is observed that there are a number of roads under construction in the study area: both in rural and urban areas. Construction of such roads can solve problems of marketing system by avoiding the problems of poor road conditions that is observed in the study area. In addition to these, the road construction program, cobblestone working in the town, is playing its role in creating job opportunities for youths in the town as well from rural area. This is an implication on rural – urban economic linkage by encouraging/ absorbing rural skilled and semi – skilled labor to engage in off – farm activities in the town. This in turn helps them to diversify their income.

Presence and their functioning of Micro Finance institution in the study areas are observed as another opportunity in the study area. This institution is contributing critical role in solving financial problems of rural household by facilitating loan although there is its drawback in its functioning system. This is actually and potentially important policy area that provides opportunity for better rural – urban economic linkages.

4.10 Roles of Local Government to Promote Rural-Urban Economic Linkages

Local governments: both rural local governments in the hinterland and the municipality in Hosanna town have a key role to uphold development in their locality. To assess the role of local government, data are collected through open-ended questionnaires, interview, FGDs, and findings are summarized as follows:

Results of FGD, Key informant indicates that rural local government is working hard to increase agricultural products and productivity working together with stockholders to strengthen rural – urban economic linkage. FGDs with rural farmers indicated that rural local governments playing great role in distributing farm inputs and providing extension services to rural farmers in their respective PAs that reduces the cost that would have been incurred by farmers in terms of time and money.

The municipality of the Hosanna town is also working to endow with urban infrastructures to make the town livable and to attract investors. This has an implication in rural – urban economic linkage because an increase in investment can attract rural to urban migration this in turn increases off – farm opportunity in particular rural – urban economic linkage in general. Urban local government, however, is to blame for their inability to do nothing more than simply having only plan to do so. In this regard, the respondents were exemplified market place and facility, problems of mobility in rainy season in the town due to lack of drainage due to lack their commitment.

The other finding regarding to role of local government is that there is no coordination between local governments and are not working together to boost the linkage. In addition, rural local governments are likely to endow with market information on the demand and price of goods and services to solve market problems but the respondents indicated that they failed to do so. Generally, the role of local government in boosting rural – urban linkage is minimal and immediate result.

CHAPTER FIVE

5. Summery, Conclusion, Recommendations and Policy Implications

5.1 Summery

There had been different theoretical discussion to take hold of development over space and sectors. Urban centers were given priority and this falls along the principles of modernization theories. At the time, modernization theories equated with urbanization and industrialization. Both urbanization and industrialization were treated as desirable goals for development. Nevertheless, this paradigm is shifted due to its shortfall to catch-up the mutual development of urban and rural areas. Then the world accepted rural-urban linkage as a key component in rural transformation and an important step towards industrial growth and to come up with sustainable development.

Sustainable development requires a symbiotic relationship of both rural and urban area. Such development requires fostering of linkages between the two spatial units. Although promotion of rural-urban linkage is a desired development strategy in the contemporary world, however, Ethiopia has remained in undeveloped rural-urban linkages. In addition, there is a very limited study in the type, nature and magnitude of rural-urban linkages in Ethiopia particularly in Hosanna town. As a result, it is necessitated the proper understanding of the nature and extent of the linkages in Hosanna and its hinterland.

This study attempts to assess the nature, extent and magnitude of rural-urban linkage in Hosanna and its hinterland based on the assumptions of virtuous circle model of the rural-urban linkages. Hence different research questions, which are related to the mutual development of the rural and urban areas, were formed. Then the study was conducted using mixed approach and employed both qualitative and qualitative methods of data collection and analysis. To conduct the study, 240 sample households (130 from rural and 110 from urban) were selected through multi-stage sampling from the study area. Data were gathered from household through structured questionnaire and supplemented by key informants, FGDs and

Personal observation. Published and unpublished documents such as books, articles, journals, statistical reports and other relevant documents were also used to come up with the results.

The study indicated that farming remains the major occupation for most of the rural people in the study area although some of them derive their incomes from a combination of farming and non-farm activities. While government employment, trade and service provision are the main activities in Hosanna town, traders and other urban service providers also engage in urban area. Almost all of the sampled households owned land. The average farm size for the sampled households is about 1.55 hectare.

Farming in the hinterland, however, is subsistence and the quantity of crops coming to the market is limited. The tools used by farmers are typically traditional. Agriculture depends on rainfall, there is negligible irrigation that requires pumps, and pump related equipments. The use of modern inputs such as fertilizers and tractors is not good enough. Most of farmers have faced with various agricultural problems such as shortages of land, land fragmentation, shortage of capital, small farm size, and unequal distribution of land. This makes extent of rural-urban linkages weak by reducing the amount of surplus to be marketed and lowering agricultural product flow from rural to urban areas. These problems also reduce the farmers' potential to purchase industrial goods from urban areas. Although these land related problems have negative impact on rural-urban linkages, the problems also facilitating people to involve in non-farm activities or to migrate out will lead to rural to urban flows of people which in turn fosters the linkage.

Albeit the study area which has experienced land related problems, crop production, livestock rearing, sales of animals and animal products such as eggs, milk, butter as well as fruits and vegetables are the key farm income source of the rural people in the community under study. However, agricultural production and productivity is small and the farming is not market oriented due to the subsistence nature of agriculture. Hosanna town is serving as the major market place for cereals produced in the hinterland. Even if sampled farmers have produced fruits and vegetables, almost none of them bring their products to the market. All

fruits and vegetables are held for household consumption. Urban households purchase fruits and vegetables that are supplied by the farmers outside the hinterland.

Flows of agricultural produce and industrial goods are some indicators of existing rural-urban linkages in the study area. In this regard, grain marketing is the major form of agricultural goods that flows between the town and rural hinterland involving a number of farmers and consumers as well as a number of private marketing agents providing diverse marketing services: buying, selling, transportation, storing, processing and retailing. Hinterland farmers supplied less than half (46%) of the produced grain to market because the bulk of their produce remains in rural areas for different purposes: consumption, seed and feed. Whatever, there is a relatively reasonable rural-urban linkage through grain trading because the majority of the respondents sold the grain (more than 65% of the grain) in Hosanna town.

Open market in Hosanna town has big role in increasing interaction. Nevertheless, marketing of grain for consumers is not directly from producers rather it is from other sources. For instance, about 2% of respondents sold grain for cooperative union within PAs, 33% for local traders, 47% for town traders in Hosanna town, only 18% for consumer. Farmers in the proximity of the urban areas tend to be market oriented farming rather than farmers in the remote areas. Thus, distance has a direct relationship with the rural-urban marketing linkage in the hinterland.

Livestock and its product linkages are not satisfactory in the study area. Yet, comparing grand total of the owned and sold, the study area has a livestock marketing linkage since 50% of total owned livestock are supplied to the market. Oxen and sheep are the most important livestock in creating rural-urban marketing linkages in general and livestock marketing in particular. Amount of sold and bought for oxen and sheep is relatively greater than other livestock, and they are found to be the liquid livestock. From those who produce fruit, about 9% of respondent reported as they produce for sale and domestic household consumption. Thus, fruit production in the study area shows weak linkage. Farmers in the hinterland were not found more dedicated to purchase durable goods as compared with non-durable goods. Therefore, there is a relatively strong linkage for non-durable goods than durable goods.

Type of agriculture and degree of intensification are critical factors affecting the extent of backward linkages. Most sampled farmers use agricultural input and extension services in the study area. Fertilizers, selected seeds, weed killers, veterinary services and professional support are some of the agricultural inputs and services provided to the farmers in the study area. There is an indication of linkage between hinterland and its urban center (Hosanna) in the supply and use of fertilizers and improved seeds even though there are few problems hindering the linkage. In other words, there is backward linkage between Hosanna and its hinterland.

Agriculture in study area is shown as a stronger linkage with the consumptive sector rather than the forward production linkage. Even though agro-based industries have crucial role in processing raw materials supplied by agricultural sector, add values to the farmer's produce, and generate employment opportunities, the study area (Hosanna town) is under developed in this regarding. None of the respondents were supplied agricultural producet directly to industries in the hinterland. Moreover, there is almost non-existing forward production linkage. Hence, most crops produced in the hinterland are used for consumption. Wheat is found to be the single most important crop with the highest marketed surplus. Service activities occupy the largest number of establishment in the towns and also account for the second highest activity in terms of employment in the towns. These services include construction, repair, tailoring, photographing, transport, shoe shining, haircut etc. Food and drinks activities have the highest level of employment and the second highest number of establishment in the towns. On the other hand, manufacturing and processing signified less both in terms of employment and number of establishment. This is an indication that as service centers, agricultural market centers serve principally the agricultural household as consuming unit rather than as producing unit.

Although financial intermediaries are important agents in streaming the flow of finance particularly from urban and rural, the role of formal banks in the study area is limited. Banks are not interested to financing the rural people because they are believed to have high risks and transaction costs. There is no rural respondent who accessed a loan from banks. The MFIs represent a strong financial intermediary working towards integrating the rural and

urban economy in the study area. There is a significant amount of demand left unmet even though the service provided by MFI so far is promising. At the time, the MFIs are able to meet less than the total demand for services in the study area. Remittance is another form of financial linkage. Families of migrants particularly to the Republic of South Africa are observed to have more investment in purchase of livestock, land and house construction. Investment in consumption goods such as better clothing and household items are also noted to be higher among families with migrant members.

Resource flows between urban and rural areas present a significant form of linkage in the study area. In particular, cities rely on the hinterland to receive most of its construction material and fuel woods. There are numerous quarries from where low – value-building materials, stone, sand, clay etc are derived.

5.2 Conclusion

It was assumed the presence of strong and circular (vicious circle model) rural –urban linkage in the study area through flow marketing linkage, financial linkage and inters-sectoral linkage. The assumption was that it would be apparent through marketing, inter-sectoral and financial linkages. However, the results of the study show the vicious circle model of the rural-urban economic linkage in the study area could not able to fit the assumption. For instance, the findings regarding the nature and magnitude of rural-urban economic linkage in the study area indicates that:

- Traditional way of farming is dominant in the hinterland. In other words, level of commercialization in farming in the hinterland is almost negligible. Crops are not satisfying the demand of the urban areas and not as such surpluses. Amounts of supplied crops are limited in type and amount;
- The crop production in temporal patterns and the livestock production are not reached at hopeful climax. Farm specializing in perishable, high value produce such as vegetables and fruits as well as raising chickens and producing dairy products are not observed in the study area;

- Though some linkages in terms of marketing agricultural produces from rural areas are observed, this linkage is limited to a few types of grain crops. The rural households are poorly connected with the town in terms of forward production linkage;
- There is relatively good input linkage although the role of town traders in providing fertilizers and improved seed is negligible;
- Rural farmers are not getting loan from banks. In this regard, the rural households have indicated that they rely on friends and relatives for their financial resources. Thus, financial linkages that exist at present in Hosanna and its hinterland is not intense and is underdeveloped;
- The study area has good consumption linkage than other form of linkage

Therefore, it is concluded that the study area has weak rural – urban economic linkage since the flow of finance, flow of goods and services, and mutual support between the two sector is not existing at a degree that is needed by the two spatial unts. In other words, Economic linkages: marketing linkage, financial, and inter – sectoral linkage between Hosanna and its hinterland is constrained by different factors such as to the subsistence nature of agriculture, lack of participation of the private sector in input distribution, limited interest of the formal banks in financing rural people.

Inter-sectoral linkage particularly forward and backward (production) linkage between agriculture and industry is constrained due to absence of agro – processing industries in the study area and inability of agriculture sector to supply the necessary raw material to industry. Furthermore, agriculture shows more of a consumptive linkage rather than production linkage.

5.2 Recommendations and policy Implications

It is recommended that rural-urban linkages should show elements of mutually dependent development of both urban and rural areas. In this regard, the government of FDRE has paid attention to activate linkage between rural and urban areas. However, the result of the study shows that some work is left behind and some effort is still required to enhance the

linkages. Therefore, the following recommendations and policy implications are forwarded to any responsible organ who is devoted to harness the virtuous cycle of linkage between Hosanna and its hinterland in order to realize mutual development through rural-urban economic linkages.

- Agriculture in the hinterland shows subsistence farming or not market oriented. Rain-fed agriculture, traditional farming, land shortage, small size and land fragmentation are the common problems of farming in the study area that affect linkage between the two spatial units. Therefore, GOs, NGOs and other concerned bodies should need to work together in insuring commercialization of agricultural sectors through introducing new technology to foster strong forward and backward production linkages. In addition, they should provide training and create awareness among farmers how to conserve their land and increase production and productivity within the small plot of land to enhance returns from farming. This may in turn increases farmers' potential in purchasing industrial goods and getting urban services from the town that will also promote economic linkages between the two spatial units.
- Although off-farm activities can play an indispensable role to strengthen the linkage, the results of the study show that rural non-farm sector is yet undeveloped. Therefore, farmers in the hinterland should be given skill development trainings and should be encouraged to participate in non-farm activities. Moreover, an attempt should be made by the municipality officials to create marketing linkages between MSEs and hinterland farmers. This is one of the potential areas that would create the opportunity for rural non-farm activities.
- The study has showed traders found in the town are mostly family based businesses. Rural dwellers have also indicated that the reason for going to towns is to buy and sell items and not looking for job. These indicate that the town has a limited labor absorptive capacity and hence show limited linkages with the rural areas. Therefore, these require the need to increase labor absorptive capacity of towns through strengthening town businesses by providing them access to credits and increasing their

capacity. These may help to increase their businesses and increase labor absorptive capacity of the town.

- There is a need to establish a legal framework that promotes the integration of the urban and rural administrative units in the process of rural and urban development plan because the continuing integration of rural and urban areas requires more than simply coordination and cooperation. Coordination and cooperation between the development policies and programs of urban and rural areas have also critical role in ensuring the development by supporting each other.
- The study has indicated that forward production linkages were non-existent in the study area. Therefore, this necessitates the endorsement of investments particularly MSEs and establishment of agro-based industries to enhances the local economic development through forward and backward linkages. This creates a demand for the rural resources in one hand and creates employment opportunities on the other hand. At the same time, it need major infrastructure such as electricity, road and water supply to support any form of investment activities.
- Some linkages in terms of marketing of products from rural areas are observed. This linkage, however, is limited to some types of crops. In addition, there is no significant marketing linkage for fruit product in the study areas. Rural economy is not energetic in surpluses production. The marketed crops are limited and there is limited use of agricultural technologies that enhance production. The rural economy of the study areas is not capable of showing dynamic characteristics. The problems the agricultural sector faces such as the use of backward technology, shortages and fragmentation of land, lack of capital, etc. Therefore, agricultural sector has to defeat these problems by the vicious cycle rural-urban linkages that have ability to improve the productive capacity of the rural area.
- The study also shows that farmers' service cooperatives are the principal suppliers and distributors of farm inputs. However, the delivery system has to pass through routine procedures and sometimes lags behind the actual time that it is needed. This situation may be minimized by involving private traders in the input and service delivery. Therefore, traders' participation should be permitted so that there would be flexibility in

the delivery system and to avoid the monopolistic supply system and foster competition that benefits farmers in the hinterland.

- A financial linkage between the rural households and financial institutions does not exist in the study area. Moreover, sampled farmers have identified shortage of capital as the primary challenge that affects agricultural production. The presence of some financial services in the towns alone is not enough to foster rural-urban linkages. Though banks are exists in the towns, rural households are not beneficiary of such services. This necessitates the need of the sector's reform. The rural dwellers should be able to have access to the bank services and should be rural based. Rural credit facilities should also be accessible to rural poor
- Strengthening urban areas as the spring of information is very important to muscle the farmer's decisions in their activities. For example information on market prices, crop prospects, employment accessibility will be very important to the rural life. Urban are expected to deliver such information to farmers. But the study has indicated that farmers do not use the town as a source of information and that they also have indicated that the role of the town in providing agriculture related in information is minimal. Therefore, the media that are always in urban centers should provide all sorts of information that uses for strengthen the rural-urban linkages and the symbiotic development.

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Appendix

Addis Ababa University

School of Graduate Studies

Department of Urban Development and Management

Structured Questionnaire for Rural Households: sample Survey

Objective: the purpose of this questionnaire is to assess the information concerning rural-urban economic linkages between Hosanna Town and its hinterland for the Thesis in the partial fulfillment of the Masters of Arts in Urban Development and Management at Addis Ababa University.

General Directions

- You are kindly requested to offer genuine responses.
- The study is entirely academic and all responses are confidential.
- Feel free to respond.

Thank you in Advance!

Questionnaire Identification

1. Name of Woreda_____ 3. Name of 'ghot'_____

2. Name of 'Kebele' _____ 4.Supervisor's Signature_____

Section 1. Questions Regarding Demographic Characteristics of the Hinterland Respondents

1. Age of household heads 0. < 15 1. 15-30 2. 31-45 3.46-65 4.Above 65

2. Sex: 0. Male 1. Female

3. Marital Status: 0. Never Married 1. Married 2. Divorced 4.Widowed

4. Total Members of households:

0. 1 members 2. 3 members 4. 5 members

1. 2 members 3. 4 members 5.6 members and above

Section 2. Questions Regarding Economy Characteristics of Hinterland

2.1. Land Holding and Farming System

5. Do you have your own land? 0. Yes 2. No

6. If "Yes" how much is your farm size in 'timad'?

0. Two 1. Four 2. Six 3. Eight 4. Twelve

7. What is pattern of your land holding?

0. Single blocked 1. Fragmented

8. In the last 12 months have you rented-out land? 0. Yes 1. No

9. If "yes" to whom do you rented-out land? 0. Urban dwellers 1. Rural dwellers

10. How much area is rented-out land in 'timad'?

0. One 1. Two 2. Three 3. Four 4. Five 5. Above five

11. What is the reason for the rent out?

0. Shortage of draught oxen 2. Input shortage

1. Shortage of labor 3. Others (specify)_____

12. Do you rented-in land for the last 12 months? 0. Yes 1. No

13. If "yes", how much is the area in 'timad'?

0. One 1. Two 2. Three 3. Four 4. Five 5. Above Five

14. What is the reason to rented-in land?

o. Land shortage 2. To help the renter

1. Accessibility 3. Others (Specify)_____

2.2. Crop Production

15. what is the major type of agricultural products that you produce in the last 3 years (put in rank)

_____ Grain Crops _____Pulses _____ Fruits and Vegetables_____ perennial (cash)crops _____Other

16. Do you grow perennial (cash)crops? 1. Yes 2.No

17. If 'yes', which perennial crops ? (Multiple answers is possible)

0'enset' 1.banana 2. coffee 3.chat 4. gesho

5.orenge 6.lemon 7. apple 8.tobaccoco 9. avocado 10.other(specify)_____

21. In which main season do you cultivate your farm?

0. 'belg' only 1. 'meher' only 2. in both seasons

18. Do you use other Sources of water apart from rain for farming?

0. Yes 1. No

19. If "Yes", which type? 0. Irrigation 1. Water harvest 2.underground water

3. Other (specify) _____

20. How much is the area of land developed through other sources of water in 'Timad'?

0. One 1. Two 2. Three 3. Above Three

21. Do you have a problem in crop production? 0. Yes 1. No

22. If "yes", would you rank the top five in order?

0. Shortage of Land _____ 5. Shortage of Capital_____

1. Shortage of Oxen _____ 6. Tenure Insecurity_____

2. Shortage of Labor _____ 7. Lack of Extension Services_____

3. Shortage of Inputs _____ 8. Transport Problem _____

4. Lack of Market _____ 9. Crop Pests and Disease ____

23. What is the overall trend of (crop) production in the last three years?

0. Decreasing 1. No change 3. Increased

24. If it is decreasing, what is the reason? (Multiple answers are possible)

0. Shortage of farm land 4. Shortage of man power

1. Shortage of rain 5. Lack of market

2. Decreasing soil fertility 6. Lack of credit

3. High cost of inputs 7. Others (specify) _____

2.3. Live Stock Production

25. Do you own any kind of livestock? 0. Yes 1. No

33. If "Yes" indicate the types & number livestock.

No.	1	2	3	4	5	6	7	8	9	10	11
Type	Oxen	cow	calves	Bulls	heifer	goats	sheep	horses	donkey	muless	chicken
No. at present											

Number at present (code)

0. None 1. One 2. Two 3. Three 4. Four 5. Five 6. Six 7. Above Six

2.4. Off-Farm Activities

26. Do you family participate in any Non-Farm income generating activity?

No	Non-Farm Activity	0.Yes 1.No	Place of work	Actors in the family
1	Hand Craft			
2	Food and Drink			
3	Agriculture related			
4	Trading			
6	-Religious Teacher			
	In constructions			

Place of work (c)

0. Home 1. Local village 2. Hosanna town 3. Others _____

Family member engaged (code) 0. Father 1. Mother 2. Children 3. All

Section 3. Questions Regarding Types of Rural – urban Economic Linkage

3.1. Marketing linkage

3.1.1. Flow of agricultural Produces

27. Please Indicate the amount of crops you produced and sold last year

No	Type	Area cultivated(Timad)	Amount producd (Quintal)	Amount sold (Quintal)	Place of sale	customers
1	Teff					
2	Barely					
3	Maize					
4	Wheat					
5	Bean					
6	Pea					
7	Other					

Area cultivated (Code) in timad.

0. None 1. One 2. Two 3. Three 4.Four

5. Five 6. Six 7. Seven 8. Above seven

Amount Produced (in quintal) (code)

0. None 1.1-3 2. 4-6 3.7-9 4. 10-12

5. 13-15 6. 16-18 7. Above 18

Amount Sold (in quintal) (code)

0. None 1. < One 2. Two 3. Three 4. Four

5. Five 6. Six 7. Seven 8. Above seven

Place of Sale (Code)

0. Hosanna Town 1. Local market 2. Farm gate

3. Other specify _____

Customer (code)

0. Farmers 1. Urban traders 2. Urban dwellers

3. Others_____

28. In the last 12 months, have you produced fruits and vegetables?

0. Yes 1. No

29. If "Yes", indicate amount produced and sold (use local unit of quantity)

No	Types of Vegetable	0. Yes	1. No	Amount produced	Amount consumed	Amount sold	Place of sale
1	Tomato						
2	Potato						
3	Onion						
4	Pepper						
5	Key sir						
6	Carrot						
7	Cabbage						
8	Mango						
12	Others						

Amount consumed & sold (code)

0. All 2. One –third

1. Half 3. Quarter

Place of sell (code)

0. Hosanna town 2. Farm gate

1. Local market 3. Others

Customer (code)

0. Famers 1. Urban trader 2. Urban dwellers 3. Others_____

30. Do you own any kinds of livestock?

0. Yes 1. No

31. If "Yes", indicates the type, number, place of sale and purchase in the last 12 months?

No	Type	0. Yes 1. No	Number sold	Price of sale	Place of sale	Number bought
1	Oxen					
2	Cow					
3	Calves					
4	Bulls					
5	Heifer					
6	Goats					
7	Sheep					
8	Horses					
9	Donkey					
10	Mules					
11	Chicken					
12	Others					

Number at present (code)

0. None 1. On 2. Tw 3. Thre 4 . Four 5. Five 6. Six 7. Above Six

Number sold and bought (code) 0. None 1. One 2. Two 3. Three 4 . Four 5Five 6. Six 7. Above Six

Place of sales and purchase (code)

0. Hosanna town 1. Local market 2. Farm gate 3. Other (specify)_____

32. Indicate the type of animal products you sell in the last 12 months

No	Animal Product	For sell		Place of sale	Income earned (Birr)	Custumer
		0.Yes	2.No			
1	Milk					
2	Butter					
3	Cheese					
4	Hides/Skins					
5	Honey					
6	Eggs					
7	Other					

Place of sale (code): 0. Hosanna town 2. Farm gate

1. Local market 3. Other (specify)_____

Customer (code): 0. Urban dwellers 2. Farmers

1. Urban traders 3. Other_____

3.1.2 Flow of industrial goods

33. Your last month expenditure on non-durable goods and place of purchase

No.	Items	Did you buy? Yes.0. No.1	Expenditure/ cost of goods(birr)	Place of Purchase
1	Soap			
2	Sugar/Tea			
3	Match/batteries			
4	Coffee			
6	Oil			
7	Shoes			
8	Salt			
9	Kerosene			
10	Cloth			
11	Medicament			
12	Entertainment			
13	Others			

Place of purchased (code)

0. Hosanna town 1. within

1. peasant association 2. other small towns 3 . others

34. Your last month expenditure on durable goods

No.	Items	Did you buy? Yes.1. No.2	Expenditure(birr)	Place of Purchase
Radio/tape				
Watches				
Household furniture				
Jewlery				
Others				

Place of purchased

0. Hosanna town 1. within peasant association 2. other small towns

3. others (specify)_____

35. Your last year expenditure on construction materials

No.	Items	Did you buy? Yes.1. No.2	Expenditure	Place of Purchase
Corrugated iron-sheet				
nails				
Cement				
other				

Place of purchased

0.Hosanna town 1. within Peasant association 2. other small towns

3. others (specify)_____

36. How do you evaluate the market service offered in Hosanna?

0 . Excellent 1. Very good 2 . Good 3. Satisfactory 4. Poor

37. Is there any challenge that affects rural-urbane linkages in Hosanna town and its hinterland? 0. Yes 1.No

62. If "yes" list the top five in an order?

0.Poor road network_____ 1. Tenure insecurity_____

2.Inadequate information_____ 3. Shortage of land_____

4.Subsistence agriculture_____ 5. Lack of market facilities_____

6. Lack of agro-processing industries___ 8.price fluctuation_____

9. weak local government_____ 10.natural resource degradation___

11.Distance_____ 12.Limited agricultural input ____

13. inflation_____

3.2. Financial Linkage

38. Do you borrow money for any purpose? 0.Yes 1. No

39. If yes, from where?

0. Bank 1.Relatives 2. MFIs 3. Rural money lenders 4.Urban money lender

40. Do you save money? 0.Yes 1. No

41. If "Yes" ,where do you save?

0 . Bank 1. Traditional saving (Iquib)2. Credit union 3. others (specify)_____

3.3.Inter-sectoral linkage

3.3.1. Flow of Agricultural Inputs

42. Do you use agricultural inputs? 0. Yes 1.No

43. If you used modern inputs, indicate the amount, value and place of purchase in the last 12 months.

No	Type	Amount(kg)	Cost (Birr)	Supplier (c)	Place of purchase
1	Fertilizers				
2	Selected Seeds				
3	Weed Control				
4	Pesticides				
5	Others				

Amount (kg) (Code):

0. Up to 10 1.11-50 2.51-100 3.101-200

4.201-300 5.301-400 6.Above 400

Cost (Birr) (Code):

0. Up to 100 1.101-200 2.201-300 .3301-400

4.401-500 5.501-600 6.above 600

Supplier (s) (Code):

0. Traders 1. Cooperatives 2 . Others_____

Purchasing place (code):

0. Hosanna tow 1. Peasant association 2.Others (specify) ——

44. The amount of modern input usage in the last 12 months years has:

0. Increased 1. No change 2. Decreased

3.2.2. Flow of Agricultural services

45. Do you use agricultural services? 0. Yes 1.No

46. If "yes", identify the type: (multiple answers are possible)

0. extension service 1.tractors 2 . harvester 3. All

47. Do you get veterinary services? 0. Yes 1. No

48. If "Yes", from where?

0. Peasant association 1. Hosanna Town 2. Other (specify) _____

49. Who provides you veterinary services?

0. Private sector 2. Both

1. Government 3. Other (specify)_____

50. If you do not get veterinary services, what is the reason?

0. High cost 1. Inaccessibility

2. Lack of knowledge 3. Others (specify) _____

Open Ended Questions

1. Where is the agricultural produces mostly purchased and from where do you purchased farm inputs?_____
2. In your opinion, what is the direction of movements of goods, services and finance?_____
3. Do you have any suggestions to enhance the existing positive rural-urban linkages between Hosanna town and its hinterlands?_____

Structured Questionnaire for Urban Households-A Sample Survey

Section 1. Questions Regarding Demographic Characteristics of the Urban Respondents

1. Age of household head: 0. < 15 1. 15-30 2. 31-45 3.46-65 4. Above 65

2. Sex: 0. Male 1. Female

3 . Marital Status: 0. Never Married 1. Married 2. Divorced 4.Widowed

4 . Total Members of households:

0. 1membes 2. 3 members 4. 5 members

1. 2 members 3. 4 members 5.6 members and above

Section 2. Questions Regarding Economy Characteristics of Urban Respondents

2.1. Main Activities and Source of Household Income

5. What are the main activities and source of household income? (Multiple answers are possible)

0. Farmer
1. House wife
2. Agricultural laborer
3. Trader in village
4. Trader in town
5. Alcohol productions and selling
6. Government employee
7. Guard (Watch man)
8. construction
9. Livestock keeping in urban area
10. Livestock keeping rural area
11. Craft works
12. Food vending
13. Non-farm activities in nearby town
14. Farmer in town
15. Others (Specify)_____

2..2 Business Ownership, Sauces of Initial Capital and License

6. Is there any business owned by you?

0. Yes 1. No

7. If yes, how much was your initial capital? ____ (birr)

0. <1000 1. 1001-2000 2. 2001-3000 3. 3001-4000

4. 4001-5000 5. 5001-10,000 6. 10,000-20,000 7 .Above 20,000

8. Indicate the source of capital:

0. Bank 1. Self 2. Micro finance 3. Relatives 4.Other (specify)_____

9. What about current capital?

0. <1000 1. 1001-5000 2. 5001-10,000 3. 10,001-20,000

4. 20,001- 30,000 5. 30,001-40,000 6. 40,001-50,000

7. Above 50,000

10. Indicate the type of service (trade):

0. Cereal and grain 2.Hides and Skin

1. Fruit and vegetables 3. Industrial goods 4. Dairy product

5. Food items 7. Others (specify) _____

11. What is the type of ownership?

0. Sole ownership 2. Cooperatives

1. Partnership 3. Others (specify) _____

12. Are you involving in rural agriculture? 1. Yes 2. N o

13. If "Yes", how do you access land?

0. Inheritance 4. Borrowing

1. Allocation by village leaders 5. Buy the proporty

2. Bush and forest clearance 6. Share cropping

3. Renting 7. others (specify) ____

14. If you rent and Share cropped out the land, who rent the land?

0. Farmers in the village 2. Urban dwellers

1. Farmer in other village 3. Others (specify) ____

Section 3. Questions Regarding Types of Rural – urban Economic Linkage

3.1 Marketing Linkage

3.1.1 . Flow of agricultural Goods

15. Your occupation: 0. Merchant 3 .Daily laborer

1. Public employee 4. House wife

2. Private sector employee

5. agriculture 6. unemployed

7. others (specify)_____

16. What types of farm outputs do you need from rural areas most?

0. Grain 1. Livestock 2. Vegetable

3. Wood & Charcoal 4. All 5. Other(Specify)_____

17 . Do you think rural out puts from the hinterland satisfy the demands of urban dwellers? 0. Yes 1.No

18. If "No" from where do they meet the unsatisfied needs?_____

19. In the last three years marketed farm out puts in Hosanna town has:

0. Increased 1. No change 2. Decreased

20 . If decreased, why?

0. Low agricultural production 1. Growth of other small urban centers

2. Low demands 3. Price anticipation by Farmers

4. Others(specify)_____

3.1.2. Flow industrial of Goods

21. Do you sale any goods and services?) 0. Yes 1. No

22. If "Yes" what kind of commodity?

0. Food items 1. Non-durable items

2. Durable items 3. Advisory service

4. farm input 5. Others (Specify)_____

23. Who are your major clients?

0. Urban dwellers 1. Rural residents 2. Traders

24. What are the major industrial goods and services demanded by rural population? (Putin rank order)?

0. Food items 1.Clothes 2. Farm inputs 3. Medicines

4. Educational materials 5. Household Furniture 6. Other (Specify) ____

25. How do you evaluate the suitability of market in Hosanna town?

0. Excellent 2. Good

1. Very good 3. poor

26. In the last years, marketed farm inputs in Hosanna town has:

0. Increased 1. No change 2. Decreased

27. Is there any challenge that affects rural-urban marketing linkages in Hosanna town and its hinterlands? 0. Yes 1. No

28. If "Yes", would you list the top five in order of rank?

0. Subsistence agriculture____
1. Poor road net works_____
2. Inadequate information____
3. Lack of market facility__
4. Lack of agro-processing industry____
5. Distance_____
6. Inflation_____
7. Tenure security_____
8. Shortage of land_____
9. Price fluctuation
10. Natural resource____
11. Limited agricultural inputs___.

29. What is /are the main problem(s) you faced in undertaking trade and other service? (Multiple answers are possible but rank the top three for each?

0. No problem_____
1. High cost of transport_____
2. Lack of capital_____
3. Lack of education and training_____
4. Man power shortage_____
5. Lack of marketing_____
6. Lack of credit_____
7. Lack of transport_____
8. Lack of information_____
9. Lack of cooperative organization_____
10. Others (specify) _____

3.2. Financial Linkage

30. Do you save money? 0. Yes 1. No

31. If your answer is 'yes', where did you save? (Multiple answers is possible)

0. Home 1. Bank 2. Credit Union 3. Iquip 4. Other(Specify)_____

32. If your answer is Iquip ,is there any one that is member of Iquip from rural area?

0. yes 1.No

33. Do you borrow money for marketing purpose in the last three years?

0. Yes 1.No

34. If your answer for No is "Yes", from where?

0. Bank 1.Relatives 2. MFIs 3. Rural money lenders

4. Urban money lenders 5. Other

35. Do you have house or other properties inin rural areas?

0. Yes 1. No

47. How much does your property worth in terms of money?_____

3.3. Inter- sectoral Linkages between agriculture, manufacturing and services

36. Do your enterprises have linkage with the surrounding farmers? 0 Yes 1. No

37. If "yes", in terms of what?_____

38. Do you sell any locally produced farm in put? 0 Yes 1. No

39. Is there any factories that use raw material from hinterland? 0 Yes 1. No

40. If yes please list them_____

Open Ended Questions

1. What kind of goods do you need from rural areas?_____

2. What kind of goods and services you sale for rural people?_____

4. In your opinion, what is the direction of movements of goods, labor, finance and information and technology?_____

5. What factors do you suggest that must be improved in order to enhance economic linkages?_____

6. I your opinion what are the potentials and constraints of rural -urban economic linkages?_____

7. In your opinion, what is expected from rural and urban administrative bodies to enhance rural-urban economic linkages?_____

Interview Questions for Urban Traders

1. Date of interview _____ 2. Code_____3. Keble___ 4. Interviewer's name_____
2. Supervisor's Signature _____
3. Do you own the business? 0. Yes 1. No

4. How much was your initial capital?_____

0 . <1000 1 .1001-2000 2 . 2001-3000 3 . 3001-4000 4 . 4001-5000

5 . 5000-10,000 6 . 10,001-20,000 7 . above 20,000

5. Indicate the source of capital:

0 . Bank 1 . Self

2 . Microfinance 3 . Relatives 4 . Others (Specify) _

6. What about the current capital?

0 . <1000 1.1001-5000 2.5001-10,000 3.10,001-20,000 .20,001-30,000

5 . 30,001-40,000 6 . 40,001-50,000 7 . above 50,000

7. Indicate the level of service: 0 . Whole selling 1. retailing 2 . both

8. Indicate the type of service (trade):

0 . Cereal and grain 1. Fruit and vegetable 2 . Dairy products 3. Hides and skins 4. Consumer goods 5.Food items 6.Others (specify) _____

9. What is the type of ownership?

0. Sole ownership 1. Partnership 2.cooperative 3.others_____

10. From where do you purchase commodities?

0 . Hinterland farmers 1. Whole sellers in the town 2 . Other towns in the Zone 3 . Other towns outside the Zone 4 . Others (Specify) _____

11. Who are your main customers?

0 . Urban dwellers 1. Hinterland farmers 2 . People from other towns in the Zone 3 . other towns outside the Zone

12. What is the scale of your marketing link with the hinterland farmers?

0 . Very strong 1. Strong 2 . Medium 3 . weak 4 . Very weak

Open ended questions

13. In your opinion, what is expected from the Stockholder to augment rural-urban economic linkages? _____

14. What is expected from rural government to enhance rural urban economic linkages? _____

15. What do you suggest that must be done in order to enhance rural-urban marketing linkages? _____

Checklists for key informants and FGDs

1. How do you see the nature of rural – urban economic linkage between Hosanna and its hinterland?
2. What are the main challenges of rural – urban economic linkage between Hosanna and its hinterland?
3. What do you suggest that must be improved in order to enhance rural-urban economic linkages?
4. How do you see the suitability of market areas in the town?
5. What are the main prospects rural – urban economic linkage between Hosanna and its hinterland?
6. What is expected from rural government to enhance rural urban economic linkages?
7. What is expected from the municipality to enhance rural-urban economic linkages?
8. Does production from the hinterland satisfy urban demand

Declaration

I, the undersigned, declare that this thesis is my original work and has not been presented for a degree in any other university, and that all sources of material used for the thesis have been duly acknowledged.

Name: Tamirat Sulamo

Signature: _____

June 2012

Confirmation

This thesis can be submitted for examination with my approval as a university advisor.

Signature: _____
Brehane Mehary (PhD)
June 2012