

Abstract Salvatore Di Falco's presentation at the DENEb seminar series

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Farmers to Entrepreneurs

We study the birth of non farming enterprise in the developing world. We test if such activities are led by skills or are an ex-post income smoothing device for uninsured households. We find that farmers become entrepreneurs in response to negative productivity shocks to farming, while credit constraints do not seem to play a substantial role. Importantly, and consistently with irreversible Acs (2006) investment or learning-by-doing, these reluctant entrepreneurs do not revert to full farming following new positive productivity shocks. These entrepreneurs are typically under performing entrepreneurs while they were above average farmers. This selection might contribute to the understanding of the dual phenomenon of low-productivity units coexisting in developing countries.