Abstract We study risk and return on farm and non-farm business enterprises in village economies. A risk-sharing benchmark predicts that only aggregate covariate risk contributes to the risk premium. An autarky benchmark predicts that overall fluctuation, idiosyncratic plus aggregate, is the only concern. Empirical findings from semi-urban and rural Thai households with extensive family networks quantify that although idiosyncratic risk is the dominant factor in total risk, aggregate risk captures a much larger share of total risk premium. Exposure to aggregate and idiosyncratic risk is heterogeneous across households as are the corresponding risk-adjusted returns, with important implications for vulnerability and productivity.

Keywords: Rate of Return, Aggregate Risk, Idiosyncratic Risk, Household Enterprise, Risk Sharing, Kinship Networks, Village Economy, Asset Pricing, CAPM, Risk Premium, Risk-Adjusted Return, Productivity

JEL Classification: D12, D13, G11, L23, L26, O12, O16, O17