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The Impact of Religiosity on Economic Success in Rural South Africa

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Abstract

Recent literature argues that development research should take into account social and cultural factors such as religion. Religiosity, it is often argued, affects economic performance in two ways. On the one hand, it has an intrinsic effect causing individuals to be hard-working and frugal. On the other hand, religiosity has a social effect and is a source of social capital. As such religiosity constitutes a resource that yields economic returns. It serves as an instrument of risk-mitigation, reduces transaction costs, and enables collective action. In some cases churches even provide economic infrastructure such as savings groups and small business support. This social capital function of religiosity is particularly relevant in rural areas of developing countries where adversity is high and at the same time institutional structures are weak. There it contributes to improving livelihoods and their sustainability. Against this background the objective of this paper is to assess the economic impact of religiosity in the specific context of rural South Africa. For this purpose a survey of 207 households was conducted in Fetakgomo Municipality in the Limpopo Province. Fetakgomo is entirely rural and – like South Africa as a whole – has a high religious diversity, particularly within the Christian religion. Data was collected on income, religiosity, and socio-economic characteristics of the households. Household income includes formal and informal labour income, social grants as well as the implicit profits from subsistence agriculture. Based on non-linear regression models it could be shown that membership in certain denominations has a significant positive effect on household income while correcting for main income determinants such as age, education, and household size. The practice of traditional African religion has a significant positive effect as well.

Keywords: Household welfare, religion, social capital, South Africa