OF CULTURE AND RELIGION: INSURANCE REGULATION AND THE INFORMAL ECONOMY IN A SOUTH AFRICAN CITY

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Research Question

• How do businesses in the informal sector insure against climate related hazards, specifically flooding?

• Why do small-scale entrepreneurs make use of burial societies even with the availability of cheaper products in the formal economy?
Theoretical viewpoint

• The co-evolutionary model of business-governance interactions
  – Business dynamically embedded within its institutional context
  – Influence of religion and culture in business management

• Governance in areas of limited statehood
  – Informal business is characteristic of areas of limited statehood
  – In decentered analysis, regulation ‘happens’ in the absence of formal legal sanction
Research Context

The Problem
Large informal settlement /business sector
High unemployment / irregular income
Limited state-led services and infrastructure

Methods
Victoria Mxenge informal settlement in Philippi and Joe Slovo informal settlement in Langa
37 In-depth interviews with current and previous business owners

High incidence of flooding in research sites
High rates of burial society membership
New Focus: Burial Societies

Voluntary Association

ROSCA

Burial
Saving
Project Specific

‘Facilitate participation and action in matters such as good governance’
White 1998

Risk spreading mechanism
Resource pooling

Regulations embedded in religious and cultural norms

Burial society contributions not market-related

Burial society payouts have culturally and psychologically benefits
Findings

Burial Society Constitution/Rules

Attendance of fellow members’ funerals
Regular meeting attendance

Build / network of users
Network used to manage hazard
Other hazards
Flooding

Burial
Conclusion

• Entrepreneurs do not insure at explicit level – insure at an implicit level

• Burial society rules build a network of mutual assistance used by members to adapt to flood impacts

• Burial society pay-outs give greater benefit than funeral cover
Recommendation

Where state governance is weak, businesses in informal contexts rely on religious and cultural principles developed through burial societies to manage several types of hazards - including climate-induced impacts.