



**BURIAL SOCIETIES IN SOUTH AFRICA:  
Prevalence and importance  
A demographic portrait of members  
The concurrent participation puzzle**

By

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This work was completed as part of a larger project on burial society membership in South Africa that combines data from FinScope with data from qualitative interviews with burial society members. Additional information is available from the author who can be contacted at [djschnei@princeton.edu](mailto:djschnei@princeton.edu), Wallace Hall, Office of Population Research, Princeton University, Princeton, NJ 08544.

## BURIAL SOCIETIES IN SOUTH AFRICA: PREVALENCE AND IMPORTANCE

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### *Known Unknowns:*

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Despite growing interest in South African burial societies, the policy, business, and academic communities lack good estimates of how common burial society membership is and what role membership plays in families' finances. The FinScope survey provides a unique data source for estimating membership rates and for establishing the financial importance of burial societies.

To date, analysts have had to contend with a lack of good nationally representative data on burial society membership and the frequent conflation of burial society membership with either participation in RoSCAs more generally or with formal funeral insurance products. With the exception of estimates published previously by the FinMark Trust, this has led to uncertainty about the true rate of burial society membership. For instance, surveying the literature, Thomson and Posel (2001) are only able to approximate membership at about 3 million.

### *Methods:*

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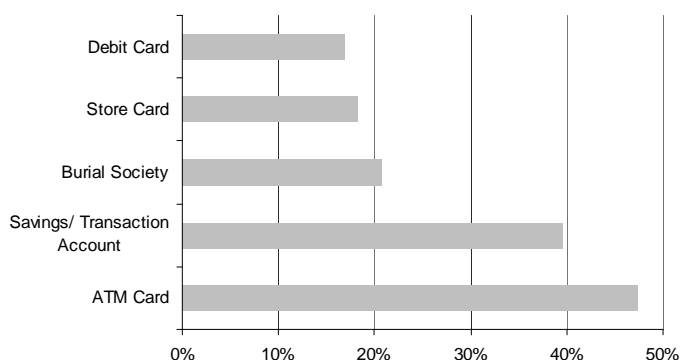
FinScope is a nationally representative repeated cross-sectional survey of the South African population. It contains detailed measures on financial product ownership, including a series of questions about the use of informal savings products such as burial societies. This analysis pools four years of survey data, utilizing the 2004-2007 waves which include information on 14,675 respondents. Measures are generally comparable across waves, though some items appear only in certain years.

### *Prevalence:*

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Between 2004 and 2007 an average of one in five (21%) South Africans belonged to a burial society each year. Figure 1 compares the rate of burial society usage to that of other financial products and services. The result is striking. Burial societies are the third most commonly used financial product in South Africa, more common than credit cards, unit trusts, life insurance, mortgage bonds, or any of more than 120 other financial products included in the FinScope survey.

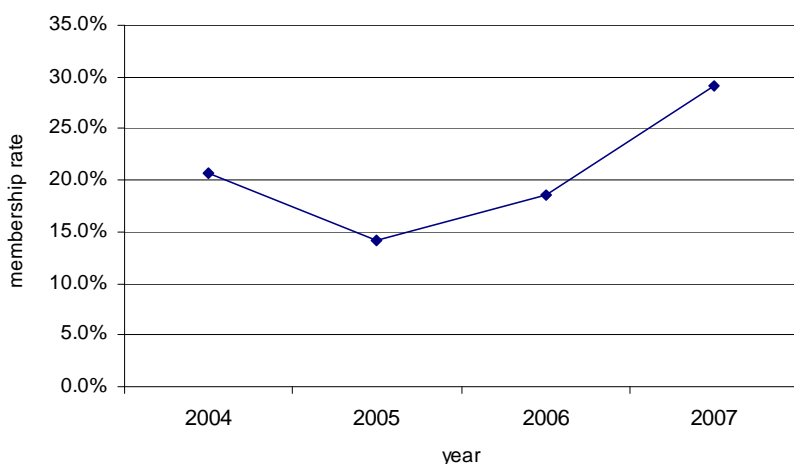
Figure 1. Five Most Frequently Held Financial Products, 2004-2007



Source: FinScope, 2004-2007

Burial society membership also appears to be increasing over time. Figure 2 charts the membership rate from 2004 to 2007.

Figure 2. Burial Society Membership Rate Over Time

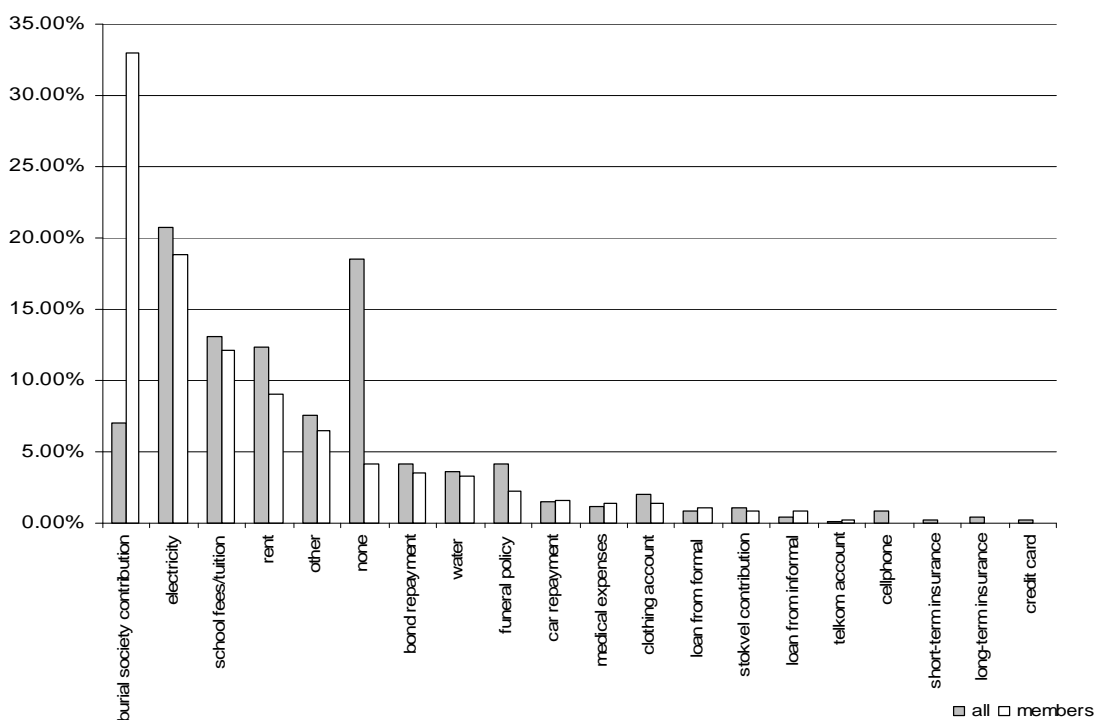


Source: FinScope, 2004-2007

*Importance:*

Burial societies also play a central role in members' financial lives. The 2004 FinScope survey asks respondents, "Thinking of all of your regular expenses, which one is the most important for you to pay first?" Figure 3 presents the results.

Figure 3. Expense Priority by Burial Society Membership

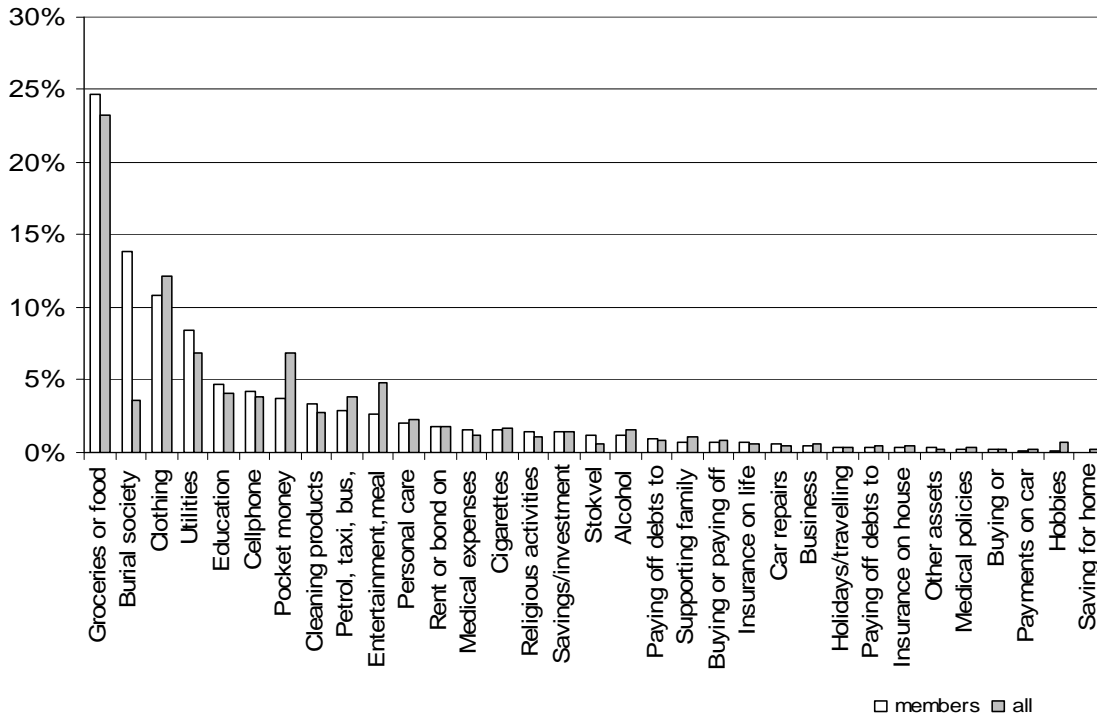


Source: FinScope, 2004

Electricity, school fees, and rent are all listed as important expenses. But, among burial society members, the most commonly named priority expense is burial society contributions. For over 30% of burial society members, burial society contributions come before all other kinds of bills.

The 2005 FinScope survey provides a second piece of proof of the financial importance of burial societies. Respondents were given 25 match sticks representing monthly income and asked to allocate them among a list of expenses in the same ratio as they generally spent their actual monthly income. Figure 4 shows that for burial society members, burial society contributions consumed nearly 15% of income on average. For these individuals, burial society contributions were the second largest monthly expense, following only expenditures on food and greater than spending on clothing, utilities, and education among others.

Figure 4. Monthly Expense as a Percent of Monthly Income



Source: FinScope, 2005

*Conclusions:*

Burial society membership is one of the most commonly held financial products in South Africa, with more than a fifth of the adult population belonging. Burial societies play a significant role in members’ financial lives, commanding 15% of monthly income on average and viewed as the priority expenses by more than 30% of members.

Additional research is needed to understand why individuals overwhelmingly turn to burial societies to provide funeral cover and how the use of semi-formal savings products such as burial societies fits with the use of formal financial products.

## **BURIAL SOCIETIES IN SOUTH AFRICA: A DEMOGRAPHIC PORTRAIT OF MEMBERS**

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### *The Who of Burial Societies:*

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More than one in four South Africans belonged to a burial society in 2007, making them one of South Africa's most commonly held financial products. Yet, we know remarkably little about who burial society members are. While there has been some description of burial society members based on small-scale qualitative studies, there has been little work using the kind of nationally representative data that could provide a more reliable demographic portrait of these groups.

What work there has been suggests that burial society membership is associated with older age, less education, and having employment (Esson, 2003). The relationship between burial society membership and income appears to follow a shallow bell shape, increasing to middle income levels and then declining substantially (Ardington et al, 2003). However, this work is based on data now more than five years old and in the case of Esson (2003), is limited to a localized predominately poor sample and in the case of Ardington et al (2003), is fairly limited in demographic scope.

### *Methods:*

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This brief uses the FinScope South Africa data to create a demographic profile of burial society members, comparing members to non-members along the lines of race, age, gender, income, marital status, and employment. FinScope South Africa is a nationally representative repeated cross-sectional survey of the South African population. It contains detailed measures on financial product ownership, including a measure of burial society membership and good data on relevant socio-economic characteristics. The analysis in this brief pools four years of survey data, utilizing the 2004-2007 waves which include information on 14,675 respondents. Measures are generally comparable across waves, though some items appear only in certain years.

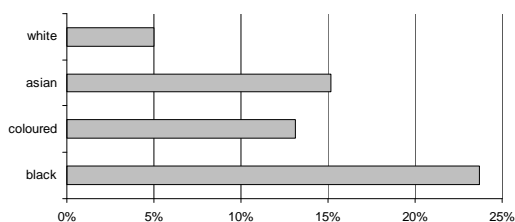
### *Demographic Description:*

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Burial Society members are demographically distinct from non-members. For example, while the average annual burial society membership rate between 2004 and 2007 was 21%, the comparable rate for women was higher – at 24%. Reflective of this higher membership rate, women composed about 60% of burial society membership.

As depicted in Figure 1, Blacks were also disproportionately likely to be burial society members with 24% of that subgroup belonging. The high membership rate for blacks along with their large overall population share meant that 74% of burial society members were black over the 2004-2007 period.

Figure 1. Burial Society Membership Rates by Race, 2004-2007

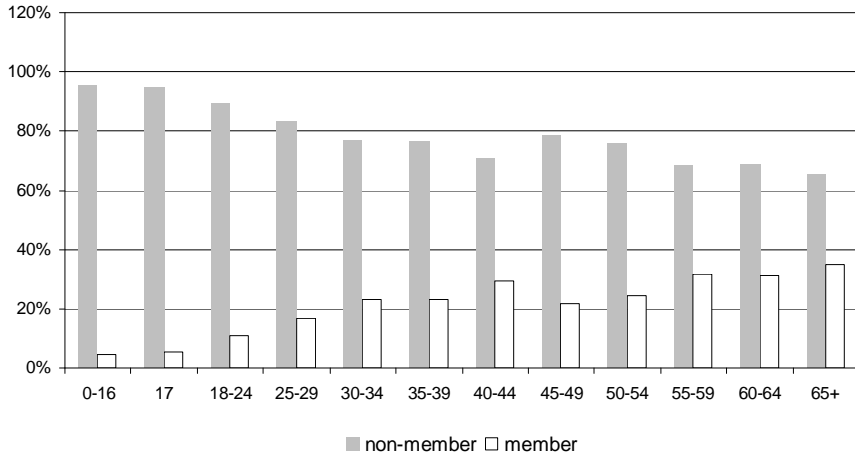


Source: FinScope, 2004-2007

Perhaps unsurprisingly for a product designed to cover funeral costs, burial society membership rates rise

with age (and so likely rose with increasing mortality risk). Figure 2 presents membership rates by age for the South African population. Likelihood of membership rises with age through till the early thirties, levels, and then rises again for those in their late fifties and older.

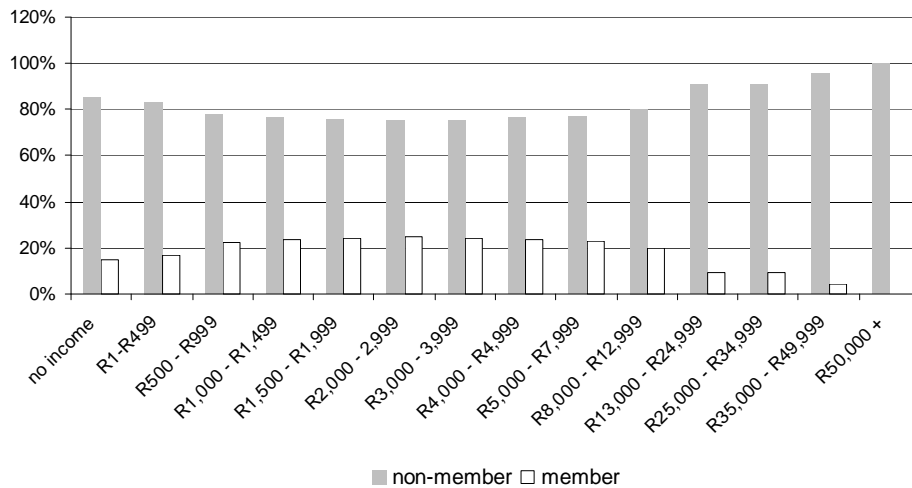
Figure 2. Burial Society Membership Rates by Age, 2004-2007



Source: FinScope, 2004-2007

Figure 3 presents similar data, now arraying membership rates by household income. Membership appears to follow a gently upward sloping curve from a low of a 15% membership rate for households with no reported income to a 25% membership rate for household earning between R 2,000 and R 3,999 per month. From that apex, membership rates decline with income.

Figure 3. Burial Society Membership Rates by Household Income, 2004-2007



Source: FinScope, 2004-2007

Besides differences in membership rates along the lines of gender, race, age, and income, those who are employed in either the formal or informal sector are more likely to join burial societies than the unemployed. Additionally, membership is associated with marital status, with those who have never been married least likely to join burial societies.

*All Else Equal...*

Many of the socio-economic characteristics discussed above are correlated with each other. For instance, age may be associated with income or employment with race. These associations make it difficult to

disentangle the relative relationships between demographic characteristics and burial society membership. Logistic regression allows us to separate these effects, to examine, for instance, the association between age and membership holding other observable characteristics constant. Table 1 presents the result of this statistical exercise, examining the association between the characteristics discussed above and a dichotomous measure of burial society membership.

Table 1. Burial Society Membership and Formal Product Ownership, Logistic Regression Odds Ratios

	Model 1
<i>Demographics</i>	
Age	1.143 ***
Female	1.635 ***
Black	17.584 ***
Coloured	8.976 ***
Asian	1.659
Number in household < 16	1.062 *
Household income	1.021
Married	1.408 ***
Not working	0.790 **
Observations	7729

\* p < 0.05

\*\* p < 0.01

\*\*\* p < 0.001

Source: FinScope, 2004-2007

Model 1 reveals, for instance, that women have 1.6 times higher odds of membership than men. Similarly, those who are married (as compared to widowed, divorced, or never married) have 1.4 times the odds of membership. The relationships are more striking by race. Blacks have nearly 18 times higher odds of burial society membership than whites. Coloureds have 9 times higher odds than whites. While there is no significant relationship between income and burial society membership, after adjusting for demographic characteristics, older age is associated with a higher odds of membership as is employment and larger household size.

### *Conclusions:*

The FinScope data allows us to construct an interesting demographic portrait of burial society members. Membership is associated with employment, marriage, household size, and age. Women, Blacks, and Coloureds all have higher odds of membership.

This demographic profile leads to further questions. Is the higher membership rate for women indicative of household bargaining over savings? Why are burial societies most prevalent in the Black community? Is the relationship between marriage and membership indicative of matrimony creating more financially responsible individuals or simply the product of selection into marriage?

## BURIAL SOCIETIES IN SOUTH AFRICA: THE CONCURRENT PARTICIPATION PUZZLE

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### *A Puzzle, In Brief:*

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Much prevailing wisdom suggests that people turn to informal financial products as a second best to the products and services offered by the formal financial sector. Informal products are often high cost, unaccountable to formal legal processes, and can be unstable and risky. Surely the use of such products arises out of an inability to turn to the more affordable, accountable, and dependable products offered in by the formal financial sector. According to this logic, people use products like RoSCAs and burial societies because they lack easy access to formal sector products, because they lack the necessary financial literacy to understand formal products, or because they distrust formal institutions. We would expect few people to use both formal and informal financial products.

However, recent scholarship on financial services documents an intriguing puzzle. Many South Africans appear to use both informal and formal financial products (Ardington, 1999; Porteous, 2003; Ardington et al, 2004; Collins, 2005; Collins and Murdoch, 2008). These consumers appear to have the access, sophistication, and trust to use formal products. Yet, many appear to also use informal products simultaneously. However, this prior research has not drawn on nationally representative data with a full overview of financial products. If real, this puzzle of concurrent participation challenges some deeply held assumptions about the relationship between formal and informal financial services.

### *Methods:*

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This brief uses the FinScope South Africa data to investigate this issue, asking if this puzzle of dual product holdings is real. The FinScope South Africa data are ideal for answering this question. FinScope South Africa is a nationally representative repeated cross-sectional survey of the South African population. It contains detailed measures on financial product ownership, including a series of questions about the use of some 130 different informal and formal financial products. The analysis in this brief pools four years of survey data, utilizing the 2004-2007 waves which include information on 14,675 respondents. Measures are generally comparable across waves, though some items appear only in certain years. The following analyses examine the association between the use of four classes of formal products (transaction, investment, loan, and insurance) and the use of South Africa's most common informal product, burial society membership.

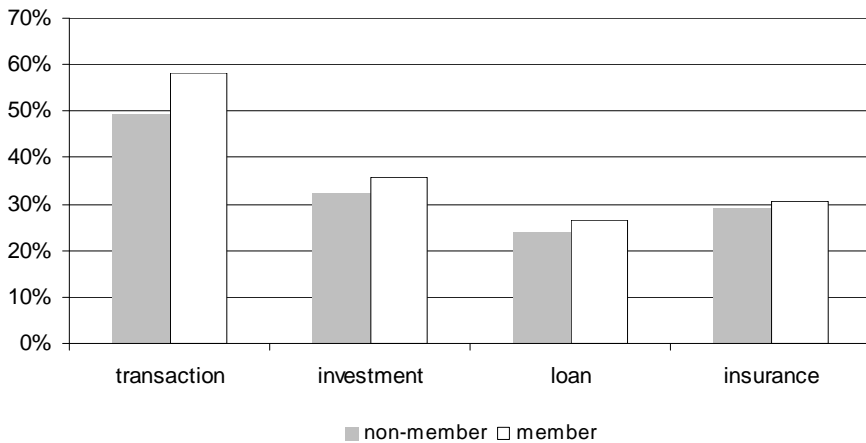
### *Overlapping Ownership:*

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Overall, approximately 21% of South Africans belonged to a burial society on average between 2004 and 2007. By way of comparison, over the same period, 51% of South Africans had a formal transaction product, 29% had a formal insurance product, 33% had a formal investment product, and 24% had a formal loan product. Overall, 56% of South Africans had some kind of formal financial product.

Yet, membership in an informal burial society can by no means be equated with exclusion from the formal financial sector. The horizontal axis of Figure 1 lists four kinds of formal financial products. The vertical axis shows the percentage of burial society members (white bars) and non-members (grey bars) holding each type of product.

Figure 1. Association between Burial Society Membership and Formal Financial Product Ownership, 2004-2007

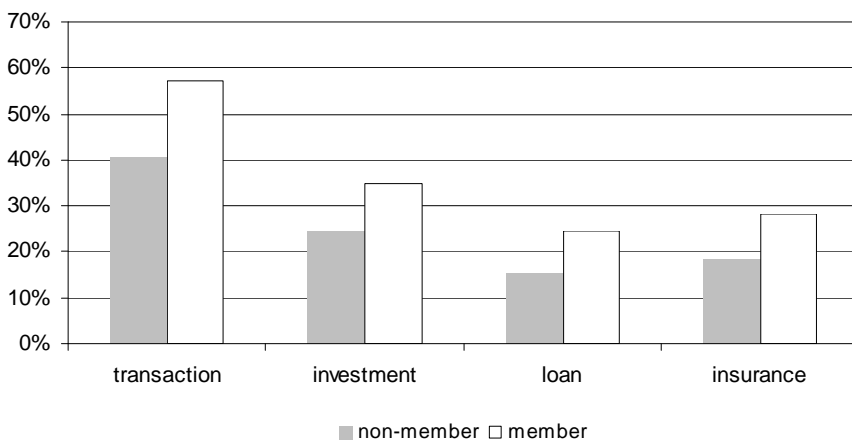


Source: FinScope, 2004-2007

The first finding to note is that large shares of burial society members hold formal financial products. More than half of members have a formal transaction product, a third hold an investment product, and between 20% and 30% hold loan or insurance products. Second, burial society members are actually substantially more likely to hold formal financial products than non-members. It appears that rather than being indicative of exclusion from the formal financial sector, membership in informal burial societies is in fact associated with an increased probability of using formal products.

Figure 2 presents the same comparison, but restricted to Black respondents. The association is even more pronounced among this demographic sub-group with burial society members far more likely to hold each kind of formal financial product than non-members. This large disparity may be in part explained by a trifurcation in the financial services product use of Black South Africans. Approximately 42% of Blacks lack both burial society membership and formal product ownership – this is the most financially isolated group. The second largest group, 35% of Blacks, holds only formal financial products. A third group, comprising 15% of this demographic, holds both formal and informal financial products. But, relatively few are only burial society members, just 9%. Essentially, non-members appear split between individuals who are basically non-users of financial services and individuals who predominately use formal products. The third group, burial society members, are however most likely to use both formal and informal products.

Figure 2. Association between Burial Society Membership and Formal Financial Product Ownership (Blacks), 2004-2007



Source: FinScope, 2004-2007

*Complimentarily:*

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Table 1 examines the association between a dichotomous measure of burial society membership and the ownership of four types of formal financial products, adjusting for demographic differences between burial society members and non-members. The table presents odds ratios from a logistic regression model. Holding demographic attributes constant, it appears that individuals who have a formal transaction product have a 1.7 times higher odds of being burial society members than individuals without such a formal product. However, the association between the ownership of other types of formal products and burial society membership is not statistically significant in this model. In sum, even adjusting for observable differences between members and non-members there is a strong relationship between the ownership of a formal transaction product and burial society membership.

Table 1. Burial Society Membership and Formal Product Ownership,  
Logistic Regression Odds Ratios

	Model 1
<i>Demographics</i>	
Age	1.143 ***
Female	1.627 ***
Black	17.220 ***
Coloured	9.329 ***
Asian	1.651
Number in household < 16	1.061 *
Household income	0.983
Married	1.423 ***
Not working	0.934
<i>Formal Financial Products</i>	
Transaction	1.731 ***
Investment	1.082
Insurance	0.853
Loan	1.116
Observations	7729

\* p < 0.05

\*\* p < 0.01

\*\*\* p < 0.001

Source: FinScope, 2004-2007

*Conclusions:*

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The concurrent participation puzzle is quite real. The rich, nationally representative, financial data in the FinScope South Africa survey reveals that many South Africans hold both formal financial products and informal burial society memberships. This dual product holding is a challenge to conventional wisdom about the relationship between these two financial sectors. Additional research is needed to understand why so many consumers choose to hold both kinds of products