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BEQUEST DISTRIBUTION IN RURAL HOUSEHOLD IN TANZANIA

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Abstract

This paper examines distribution of bequest in terms of who receive bequests and when bequests are distributed in rural household in Tanzania. Descriptive and inferential method of analysis is employed to analyse data from 810 individuals gathered through structured questionnaire. It employs Chi-Square Test to infer the hypothesis that all family members receive bequests. Triangulation of data is done through focus group discussion and survey questionnaire. The data was collected in thirteen districts. Accordingly, results show that bequests are distributed to all children regardless of gender and age but depending on type of bequests both in-vivos transfers and intergenerational transfers exist.

Keywords:Bequest, saving, in-vivos transfer, intergenerational transfer

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1. Introduction

Bequest is old social matter. For example the parable of the lost son according to the Gospel of Saint Luke chapter fifteen in the Holy Bible, about two thousand years ago, narrates in-vivos transfer of bequests. As Hurd and Smith (2002) put forward, despite the key theoretical role bequests have played in economic models of inter-generational exchange (Yaari, 1965), there remains controversy about their current and future importance. Some argue that bequests are a primary motive for saving (Kotlikoff and Summers, 1981; Juster and Laitner, 1996), that they are a mechanism for giving incentives for appropriate care-giving behavior between the elderly and their adult children (Cox, 1987; Bernheim, et al., 1985), and that they are a central part of the solution to financial problems associated with population aging.

As such bequest is multidimensional matter involving aspects of sociology in terms of society's culture, traditions, norms, taboos, and customs; psychology and behaviour in terms of attitudes of individuals; economics in terms of wealth, inequality, and taxation; anticipated bequests versus actual bequests received; and legal in terms of protocol for the transfer of bequest. In addition, the impact of bequest is dubbed of dichotomy nature in terms of prosperity when bequests are managed well or harm in case bequests become source of wealth inequalities and grievances.

Household saving has received great attention of many scholars, academicians and researchers and so is bequest which is among determinants of household saving. For example the life-cycle model of Ando and Modigliani includes bequest motive as among factorsfor saving. Bequests entail giving inheritance to heirs. Hurd and Smith (2002) ague that due to the large magnitude of bequest it makes study of bequests worthwhile both from the point of view of their possible macroeconomic effects and how they will affect the behaviour of the receiving households.

In this paper data from rural household in Tanzania is analysed to understand beneficiaries of bequests and time of distribution of bequests in terms of in-vivos transfer and intergenerational transfer . It is important knowing who receive inheritance because bequests distribution is among sources of wealth inequalities in case of discriminatory bequest distribution among family memnbers. Also knowing time when bequests are distributed is imperative since early

distribution may have great impact on the wealth of beneficiaries. For example young people receiving bequests could use such bequests to finance their education, starting livelihood enterprises thus providing employment and generating income.

2. Literature (10pt)

Economic literature on bequests focus on three prominent motives for bequests: altruistic, strategic and accidental. Altruistic bequests reflect the care individuals have about future generations, particularly their children and grandchildren (Becker, 1981; Mulligan, 1997). According to Hurd and Smith (2002) there are two main implications of inter-generational altruism for bequests. First, bequests will depend on the relative economic status of succeeding generations: when their economic status is approximately the same bequests will be small. When the older generation is considerably better off, bequests will be large. The second implication is that at the household level the largest bequests should go to the least well-off children.

The strategic motive specifies that bequests are the outcome of an implicit or explicit contract made between the generations. Transfers between the generations represent payments that will be made conditioned on the observed behavior of the other generation (Cox, 1987; Bernheim, Shleifer and Summers, 1985; Hayashi et al., 1996). For example, parents may use the prospect of future bequests to induce their children to provide assistance to them when they are old. Finally, the accidental motive views bequests to be the result of a necessary precaution against the inherent uncertainties associated with the end of life (Yaari, 1965; Hayashi, 1995). Individuals would like to have consumed all their assets by their death, but because the date of death is uncertain, they will die with assets and hence leave bequests.

Empirical findings by Kotlikoff and Summers (1981) claim that wealthy people in United States save relatively larger amount for bequest implying that bequest motive was more important. Surprisingly, Kotlikoff and Summers (1981) found that intergenerational transfers account for about 80 percent of total household wealth in United States. By contrast, Modigliani (1988) obtained diametrical opposed finding that intergenerational transfers account for only about 20 percent of total household wealth in the United States. Hayashi (1997) found that accumulation of wealth by Japanese households starts very early and lasts until very late in life, with

unconsumed wealth transferred to the next generation in the form of bequest. Barthold and Ito (1991) found that about one-third to one-half of household assets are obtained by bequest in Japan. Regardless of the economic model that leads to bequeathing behavior, the elderly hold substantial amounts of wealth, and could leave large bequests. For example, Gale and Scholz (1994) estimated that the annual flow of bequests in 1986 was $105 billion.

This paper doesn't attempt to underscore the above motives of bequests, but rather the paper determines who receive bequests and when bequests are distributed or transferred to heirs irrespective of bequest motives in rural household in Tanzania.

2. Research Method (10pt)

This paper presents cross-sectional data collected through structured questionnaire and focus group discussion in thirteen districts in Tanzania. The data is all primary, as such secondary data on rural households in Tanzania is scant. However primary data deemed to present more recent state of affairs than secondary data. Mixed methods approach using questionnaire method and focus group discussion has the advantage of data triangulation to verify validity of data collected through comparison of results.

Rural area in Tanzania constitutes largest part both geographically and population wise which according to NBS (2014) rural population was 70.4% out of 44,928,923 people in 2012. Rural area is characterized by poor transport infrastructure thus making accessibility difficult in some areas; there are many ethnic groups (over 120) with diverse culture, norms, traditions, taboos, customs and behaviours; there is different livelihood systems including crop farming, pastoralism, mixed farming, and off farm activities (rural micro small enterprises); rural is populous, relatively poor and illiterate than urban Tanzania. Therefore, sampling strategy is designed such that it takes into consideration of this diversity.

Non-probability sampling methods namely convenience (or accidental) and purposive (or judgemental) sampling is used to establish sample respondents. As part of sampling strategy to ensure the sample reflects national representation, six geographical zones are established which are (i) North Zone, (ii) Central Zone, (iii) South Zone, (iv) West Zone, (v) East Zone, and (vi)

Zanzibar Zone. The representative sample administrative regions in each zone are: Kusini Pemba and Mjini Magharibi regions for Zanzibar zone; Kilimanjaro and Manyara regions for north zone; Iringa and Lindi regions for south zone; Dodoma region for central zone; Mwanza region for west zone; Tanga, Morogoro and Pwani for east zone. Therefore data collection is done in thirteen rural districts in eleven regions in Tanzania (both mainland and Zanzibar) with each zone represented by at least one rural district. Table 2.1 shows information on geographical location and respondents' occupation.

Table 2.1 Respondents occupation and geographical location

No	District	Region	Zone	Data collection method		Major livelihood activity of respondents
				Questionnaire	FGD	
1	West district	Mjini Magharibi (Unguja)	Zanzibar		V	Fisheries & farming
2	Mkoani	South (Pemba)	Zanzibar		V	Fisheries & farming
3	Kondoa	Dodoma	Central		V	Pastoralism (Maasai)
4	Sengerema	Mwanza	West		V	Farming
5	Mheza	Tanga	East		V	Farming
6	Ulanga	Morogoro	East		V	Farming
7	Kilombero	Morogoro	East		V	Pastoralism & farming
8	Rufiji	Pwani	East		V	Farming
9	Mufindi	Iringa	South	X		Farming
10	Iringa Rural	Iringa	South		V	Farming
11	Kilwa	Lindi	South	X		Farming
12	Katesh	Manyara	North		V	Pastoralism &

						Farming
13	Moshi Rural	Kilimanjaro	North		V	Farming

Source: Field data

Data collection was done via structured questionnaire and focus group discussion. For the purpose of data triangulationand in order to control biasness and reinforce independence,structured questionnaire and focus group discussion were administered by two different persons. The questionnaire was administered in its original language (English) by enumerator who was conversant in thelanguage and Kiswahili (national/local language). This helps to reduce distortion of information emanating from translations. Enumerator performed questionnaire pretesting exercise prior the actual field data collection. Structured questionnaire was administered in the two districts of Kilwa and Mufindi while focus group discussions were done in eleven districts namely West district, Mkoani district, Kondoa, Sengerema, Katesh, Mheza, Iringa Rural, Moshi Rural, Rufiji, Ulanga, and Kilombero. There were 810 individual respondents of the questionnaire whereas there were eleven focus group each with 10 participants making 110 individuals therefore total sample size of respondents for both questionnaire and focus groups were 920 persons.

The focus group discussions were done among beneficiaries of one Belgian Technical Cooperation (BTC) financed project known as Kilombero and Lower Rufiji Wetlands Ecosystem Management Project (KILORWEMP) and four IFAD financed projects namely Rural Micro Small and Medium Enterprise Support Programme (MUVI); Marketing Infrastructure Value Addition and Rural Finance Programme (MIVARF); Agricultural Services Support Programme/ Agricultural Sector Development Programme-Livestock Zanzibar (ASSP/ASDPL-Zanzibar); and Belgian Funds for Food Security (BFFS). Table 2.2 present details of geographical locations of focus groups.

Table 2.2. Names and dates of focus group discussions

no	Names of Focus Groups	District	Date
1	Fuoni Dairy Association	West District	June 2012

2	Farm Field School in Kendwa	Mkoani	May 2012
3	Pangalua Village Water User Association	Kondoa	October 2013
4	Farmer Group	Sengerema	April 2013
5	Sayuni SACCOS Galangala Village	Katesh	April 2013
6	Maduma Farmers	Mheza	April 2013
7	Farmer group	Iringa Rural	April 2013
8	Juhiwangumwa Wildlife Management Area Community Based Organisation	Rufiji	February 2015
9	Mbuti Beach Management Unit	Kilombero	March 2015
10	Chokoachoko Community Based Forest Management	Ulanga	March 2015
11	SACCOS in Umbwe	Moshi Rural	July 2012

Source: Field data

The framework of analysis: descriptive analysis which is used to estimate descriptive statistics such as frequencies, percentages and cross tabulations and inferential analysis Chi-Square Test which is used to infer two postulations that: (i) all children are bequest heirs; and (ii) bequests are distributed after death. The Chi-square is used to test the null hypotheses on population variance: *Viz.*, H_0: $Q^2s = Q^2p$. Further the StatisticalPackage for SocialScience (SPSS) computer software is used to compute descriptive statistics and the chi-square values.

Therefore, equation to estimate X^2 is provided by the function: $X^2 = Q^2s / Q^2p\ (n-1)$

- Where:
- Q^2s = variance of the sample
- Q^2p = variance of the population
- (n-1) = degree of freedom, n being the number of respondents in the sample

3. Results and Analysis (10pt)

The total number of respondents participated in the questionnaire survey are 810 with 96.4 percent response rate. The high responses rate implies that the subject was well understood and interesting to the respondents. There was a good balance of gender whereby of the total

respondents 52.3 percent are men and 47.7 percent are women. Further the results implies that the subject was interesting to both female and male gender. Respondents who claim not to have attended school at all is 12 percent, 62.7 percent have primary education, and 22.2 percent have secondary education while only 3.1 percent have managed to study up to tertiary level (College or university education). Results of education level of respondents reflect situation of literacy in many developing countries including Tanzania whereby reports show high illiteracy in rural areas. Marital status of the respondents include: 53.3 percent are married, 36.2 percent are single, 3.7 percent are widows, 3.1 percent are divorcees and 3.3 percent are separated. Results show occupation of the respondents as farm and off farm activities 95.1 percent and 4.9 percent are employed. As for the family size on average every respondent has four dependents.

Table 3.1 Aggregated results

Description	Results (%)
Bequests distribution to all children	78.6
Preference of intergenerational transfer	85.6

Source: Field data

Table 3.1 presents aggregate results of data collected from respondents, majority (78.6 percent) prefer to distribute bequests among all children regardless of gender, age, occupation and status of poverty. This results is positive because there is no element of discrimination among family members thus it keeps family unity. Further, the results suggests possibility of reducing wealth inequality among household members since every member can anticipate to receive bequest that can be used to reduce poverty through investing bequests received. However, there is a question of who received what and how much? Although it is not in the scope of this paper, depending on what is distributed *per se*, wealth inequality might occur in case of inequity bequest distribution. Pro-poverty bequest distribution should let family members who are better-off to receive relatively low bequests so that more bequests are allocated to poorest family members.

Table 3.2 Disaggregated results

Description	Findings/Results (%)			
	Gender		Age	
	Men	Women	Young (<50 years)	Old (>50 years)
Bequests distribution to all children	77.8	79.5	77.1	96.6
Preference of intergenerational transfer	86.3	84.7	84.3	100

Source: Field data

Table 3.2 presents disaggregatedresults by gender and age. The findings show regardless of gender and age rural people confirm bequest distribution to all children in the family and high preference of transferring bequests after death. However old persons records highest approval of bequest distribution to all children (96.6%) and highest preference of distributing bequests after death (100%). The disaggregated result implies that even though at aggregate level household prefer giving bequest to all children and after death but it is old people cohort that has highest approval. This could be explained that most of young people have no children, they are yet to enjoy intimacy with children but old people have enjoyed being close to children and may have realised roles played by all children regardless of gender, age or occupation. Similarly, old persons preference of giving bequests after death is perhaps due to the fact that giving bequests while still alive subjects in losing control and ownership of ones wealth.

Table 3.3 Chi-Square test results

Null Hypotheses	Result of significance (*p-values*)	Chi-square	Total Number	Observed Number	Expected number	Residual
All children are bequest heirs	*p=0.000*	2336.344	802	637	133.7	503.3
Bequest is distributed after death	*p=0.000*	453.812	788	693	394.0	299.0

Source: Field data

Results of hypothesis testing in table 3.3 confirm null hypotheses at *p-value* (0.000). Therefore the test approves postulations that bequests are distributed to all children and that bequests are distributed after death.

Similar results were observed from group discussions whereby majority supported bequest distribution to all children regardless of gender, age and occupation. Also, there was overwhelming support of giving bequests after death as an insurance so that one remains with fully control and ownership of his wealth until death. However, there were exception whereby participants agree that it is important giving some bequests even before death so that heirs benefits or/and make use of bequests in reducing poverty. Participants of the focus group discussion listed a number of benefits of giving bequests before death including (i) avoiding disputes among family members normally occur when distributing bequests after death; (ii) opportunity to see how heir enjoys and benefits the bequests; (iii) support heirs for proper management of the bequests; and (iv) the joy of reward in terms of appreciation from heirs while one is still alive. The participants maintain that bequests were not distributed in the spirit of altruism per se but rather in the spirit of *quip pro-quo or value for money* meaning that children or any person establishing and maintaining good relationship by taking care of parents when they are old have great chance to receive high and valuable bequests than others. Also participants confirm presence of the spirit to give among rural households in many forms other than bequests i.e. donation, fundraising, philanthropy, alms, altruism and dynast purpose.

4. Conclusion (10pt)

Generally, based on the findings, it is possible to conclude that rural households in Tanzania make rational distribution of bequests without discrimination of family members. This is positive towards avoidance of wealth inequalities being the case when some members of the family are excluded from receiving bequests. Further, a mix of in-vivos transfer and intergenerational transfer provides greater opportunities for heirs to enhance wealth but also ensures those giving bequests do not suffer from loss of control and ownership of wealth before death. Although were not in the scope of this paper other important aspects of bequests worth studying include who receiving what, anticipated bequests versus actual bequests transferred, ex-post use and management of bequests. Policies in favour of good bequests transfer protocols and fiscal

(taxation) aspects in connection with macro economy; enhancing households awareness on bequest subject including drafting wills are among key recommendations put forward by this paper.

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Abreviations and accronyms

BTC	Belgian Technical Cooperation
IFAD	International Fund for Agricultural Developmnet
NBS	National Bureau of Statistics of the United Republic of Tanzania
SACCOS	Savings and Credit Coorperative Society

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