

Determinants of Subjective Poverty in Rural and Urban Areas of South Africa

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Abstract

This paper extends the investigation from objective to subjective poverty, an issue that has received inadequate attention in South Africa. The empirical analysis based on the fixed effects two-stage least squares (FE-2SLS) and Living Condition Survey (LSC) reveals that household size, being male, being married or divorced, holding primary and tertiary education are strong predictors of subjective poverty across sub-samples. However, the determinants of rural subjective poverty are slightly different from the determinants of urban subjective poverty. For example, owning a piece of land appears to be important in explaining poverty in the rural sample, contrary to the urban sample. Moreover, we find that health and unemployment are strong predictors of the urban sample, while they are not significant for the rural sample. The results have important implications for policy intervention. It suggests that land is still an important component of diverse livelihoods for rural people to assist rural emerging farmers to be involved in large-scale farming.

Keywords: Determinants, location, fixed effect instrumental variable, and Subjective poverty

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