

Social and Institutional Determinants of Traditional Practices

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Human capital theory traditionally emphasizes education and professional skills as key drivers of economic development. However, in countries with limited financial access, a significant portion of household income is often allocated to traditional events like weddings and funerals, which may compete with investments in education. This research investigates how institutional and cultural factors influence this relationship and their impact on human capital formation in countries with various economic models.

This study builds on Gary Becker's concept of human capital (Becker, 1964), which underscores the importance of education for economic development. Douglass North's work (North, 1990) on institutional environments also provides a crucial framework for understanding how institutions affect human capital. Pierre Bourdieu's theory (Bourdieu, 1986) of cultural and social capital explains how cultural norms and social obligations influence household educational decisions. Additionally, Lant Pritchett's research (Pritchett, 2024) highlights the role of education quality in developing countries, which is essential to understanding the barriers to human capital accumulation.

The primary method used is comparative analysis, which identifies differences in household behavior based on institutional environments and cultural norms. Data is drawn from international databases like the Global Findex 2011 and national statistics. Content analysis of scientific publications and policy documents on financial and educational policies provides additional insights. The research examines how financial accessibility and cultural practices interact to shape household decision-making processes regarding education and traditional expenditures.

In countries with developed financial systems and high financial inclusion, households have greater flexibility in resource allocation, enabling more investment in education. For example, in European countries like Latvia and Russia, expenditures on traditional practices like weddings and funerals typically constitute less than 3% of household income. This trend is supported by data showing that in Russia, only 0.95% of households use credit to finance such events, indicating a relatively low financial burden compared to countries with less developed financial infrastructure.

In contrast, in countries with more rigid traditional norms, expenditures on cultural events are often viewed as social obligations, leading to higher spending. For instance, in many African and Asian countries (such as Afghanistan and Mauritania), spending on weddings and funerals constitutes a larger proportion of household income. In Mauritania, 16% of respondents reported using loans to finance such events, a significantly higher percentage than in European countries, where it is closer to 2.03%. These cultural practices reduce the resources available for education, hindering human capital development.

The influence of culture is particularly strong in collectivist societies, where social obligations often take precedence over long-term educational investments. For example, in collectivist societies like those in Africa and Asia, the pressure to conform to cultural norms often results in higher expenditures on traditional practices, leaving less room for educational spending. Conversely, in individualistic cultures, such as those in Western countries, there is a greater

tendency to prioritize saving and investing in education, even if social norms may dictate higher spending on traditional events.

In low-income countries like Afghanistan and Mauritania, the need to finance traditional events exacerbates poverty and limits access to educational resources. Without access to financial instruments such as credit, households are often forced to allocate significant portions of their income to cultural obligations, reducing their capacity to invest in education. In contrast, countries with more developed financial systems provide greater opportunities for education-related investments, as households can manage their income more effectively.

The findings suggest that financial accessibility is a key factor in determining household spending patterns. In countries with developed financial systems, households are more likely to prioritize education over traditional events. However, in societies with rigid cultural norms and limited financial access, spending on social rituals can overshadow educational investments, impeding human capital accumulation.

Cultural norms also play a significant role in shaping household decisions. In collectivist cultures, the social obligation to participate in traditional events often outweighs the need to invest in education. In individualistic cultures, there is a greater tendency to prioritize education, which leads to higher human capital accumulation. To mitigate the negative impact of cultural practices on education, policies should promote financial instruments that allow households to manage their resources more effectively.

This study demonstrates that financial access and cultural practices significantly influence human capital accumulation. In countries with developed financial systems, households are more likely to invest in education, while in societies with entrenched cultural norms, traditional expenditures often compete with educational investments. The research underscores the importance of policy interventions that balance traditional expenditures with the need for education. Recommendations include the development of financial tools to support households in managing their finances and improving financial literacy to enhance resource allocation for education.

References

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Illustrations

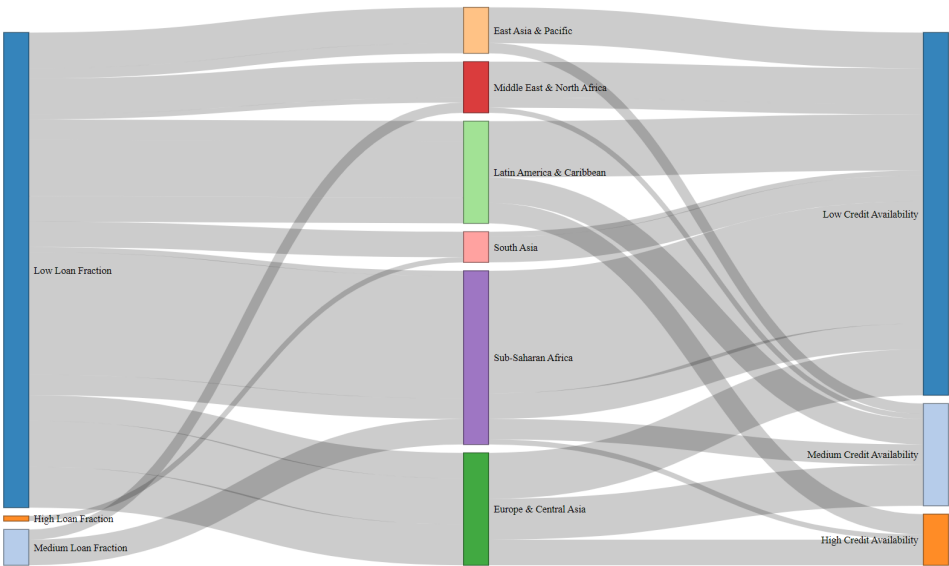


Рис. : Figure 2. Sankey Diagram of the Proportion of the Population with Wedding/Funeral Debt and the Proportion of the Population with Credit Card Ownership Source: Made by author. Data was obtained from World - Global Financial Inclusion (Global Findex) Database 2011. URL: <https://www.worldbank.org/en/publication/globalfindex/Data> (Last access: 19.01.2025)

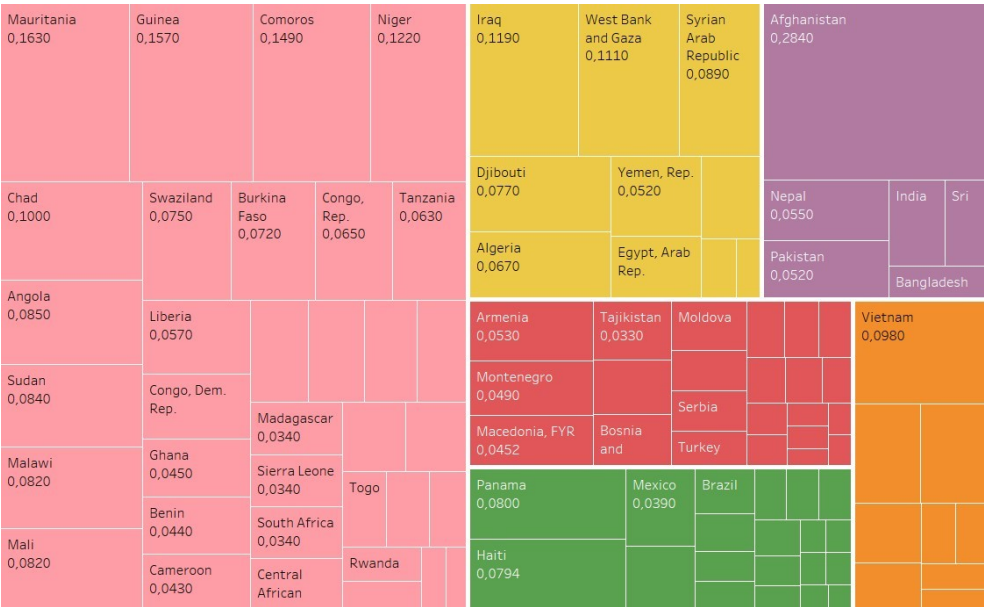


Рис. : Figure 1. Share of population has wedding/funeral debt: treemaps Source: Made by author. Data was obtained from World - Global Financial Inclusion (Global Findex) Database 2011. URL: <https://www.worldbank.org/en/publication/globalfindex/Data> (Last access: 19.01.2025)