

## Study on Religious Values and Economic Growth

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### Abstract:

*The interest in the controversies about the role of religion in society is increasing from recent years. The present review study is about the impact of religion on institutions and economic growth. Due to the absence of theoretical framework, the practical result of this study cannot be the unambiguous. There is no religion found to be the specific about pro or anti growth. At many times, the rulers try to affect the leading interpretation of a religion. In favor of a causal effect, evidence is increasing from the economic situation to religious interpretations while causality is a difficult issue.*

**Keywords:** Religion, Economic Growth

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## INTRODUCTION

Awareness of the important role of culture and religion in improving the economic development is increasing by development organizations from mid 1990s. In various reports of World Bank and the activities of the World Faiths Development Dialogue, this awareness is noticeable. There are many ways of defining the economical phenomena such as evolutionary economics, behavioral economics, new institutional economics, and economics and culture are grabbing the attention which are much significant. Culture is the collective programming of the mind that distinguishes the members of one group from another, as defined in the reference literature. A shared set of beliefs, activities and institutions previously stated on faith in supernatural forces is said to be the religion which afterwards considered as the part of culture. Society can be influenced by the religion and religious activities in two ways, where first is the religious activities which can also be called social activities such as church attendance which are comparable with the meetings of football clubs, tennis clubs, scouts, political parties etc. These meetings can be an instrument helps in the establishment of the networks which can be used for the economic activities. It may also be helpful in maintaining the trading relations with partner of same religious groups belonging to the other countries. The second channel is the values taught by the leaders or adherents concerned with that religion. Through these values, the actual behavior changes with the functioning of society as per the assumption (Jong, 2008). This review belongs to the economics and culture view on economics which studies the relation between values, economic institutions and economic performance.

### Three Phases of Economic Development

All the three phases of economic development can be distinguished (Marini, 2004) and each phase is classified by a particular level of economic growth of income per capita and the set of dominant values. The first phase is categorized by the low levels of growth and low income per capita and is labeled as the antique or the pre-industrial phase. There are majority of the population especially are farmers which are dependent on agricultural production. Economic privations which are caused by the lack of technical skills for dealing with climatic difficulties and by damage resulting from wars between local warlords are protected by the extended families and communities.

The second phase consists of high growth rates and a sharp increase in income per capita and also stated

as the modernization, industrialization or take-off phase. Relatively high saving rate and technical progress may stimulate the economic growth. Large number of groups can be escape from the poverty by high levels of economic growth (Jong, 2008).

The third phase can be characterized by relatively modest levels of growth and high income per capita and also stated as the post modern or post industrial phase. The majority of the inhabitants grows up with the feeling that existence can be taken for granted (Inglehart, 32).

During the industrialization period, the rate of economic growth is relatively high as illustrated by the three stages of economic development. Lower rates of economic growth characterizes both the post industrialization period and the post modern period, level of income per capita is low during the first phase and high during the second phase as differs considerably.

It will be the positive effect on the level of economic development and a negative effect on the relative growth rates in cross country analysis of a sample of wealthy countries when a particular religion explains the evolution from pre industrialized to industrialized phase as an important factor.

### Economic Growth and Religion

As it is discussed about three phases of development, the growth rate can differ from the certain level of the economic development. Barro and McCleary studied the series of papers about influence of church attendance and religious belief on the average growth rates of real per capita Gross Domestic Production (GDP) in a group consisting of developed, emerging and evolution countries. The World Value survey derived the measure on church attendance and belief in particular respondents that if they regularly attend church services or not, and whether they belief in hell or in heaven. In regressions, the average of the respondent's answers in a country is used. According to the result of survey it has been noticed that belief in hell seems positively contributes to the economic growth and the coefficient of belief in heaven is insignificant. Church attendance has found a negative impact on growth of economy showing that the time spent in church is the expensed time for economic activity.

After that Durlauf criticized the study of Barro and McCleary on many points, re-estimated and include as control variables, traditional Solow variables and three measures of other fundamental theories of economic growth. There are many types of

traditional Solow variables which are population growth, real investments to real GDP, the average years of secondary schooling in the total population over age 25, and real per capita GDP for the initial year of the sample. A climate of a country and geographical isolation, its economic and political institutions and the degree of fractionalization in the society is denoted by the variables resulting from other growth theories. In any of the specification used, there is none of the religiosity variable are important at the 5% level.

It is the belief in heaven that is sometimes marginally significant in contrast with the Barro and McCleary's result.

### **The role of religious leaders**

The texts written in holy books are applicable to many situations of life. In the Bible, at many places, rulers are criticized for the harsh behaviour for their people and the poor. Without being specific about the particular situations, religious leaders use these phrases and criticize their Governments. The current situations can also be legitimized by the religious arguments for example Mohammad Yunus, the founder of the Grameen Bank case.

### **The influence of religion on determining factors of economic growth**

It is previously discussed about the direct relationship between religious beliefs and economic growth. This view is taken as the starting point by some of the studies and the relationship between religion and institutions and types of governance that are known to positively or negatively affect economic growth are investigated.

### **Institutions**

The transaction costs are reduced by the economic and political institutions of high quality because of which economic growth enhances. Trust towards the government institutions are increased by the religious upbringing and active religious participation and also reduces the willingness to break any sort of legal rule. Adaptability of institutions is important for economic development is another claim.

### **Governance**

Economic growth is often found to be associated with trust and cooperation. There are many studies which have found a positive relationship between the economic growth and trust. The variables of trust is the percentage of people responding that most can be trusted after the deletion of don't knows.

Religious upbringings has a negative effect on trust for Catholics, Muslims, and Hindus and unaffected for the other religions. For Protestants, the sum of the two effects is more positive than the Christian religion. Freedom is also a good source of wealth creation. Enhancing growth is considered by the open borders and free movement of persons along with an open mind for new ideas. The effect of Corruption is generally considered negative on the economic growth while it works as a positive factor in the short run bribe paying in case of bad economic institutions.

As the relation between religious values and economic growth is not strong and healthy, the relation between religion and factors determining growth are focused under the institutions and governance headings (Jong, 2008).

## **REVIEW OF LITERATURE**

**Barro and McCleary, (2003)** worked on determinants of the economic growth neglected the influence of religion. They use suggested instruments in which church attendance and beliefs are the dependent variables and found out that religious belief responds positively to the economic growth notably those in hell and heaven but negatively to church attendance. They conclude that religious beliefs influence individual traits that enhance the economic performance.

**Vitell, (2009)** studied the review of role of religiosity in business and consumer ethics. The review is descriptive rather than the normative linking religion to business and consumer ethics. The objective is to encourage researcher to follow further research in this area.

**Campante and Drott, (2013)** studied on the economic effects of religious practice in the context of the observance of Ramadan fasting. Evidence indicating Ramadan affects Muslim's relative references regarding the work and religiosity. The result of this paper indicates that labor supply choices can be affected by the religious practices in a negative implications for economic performance.

**Khan et al., (2015)** investigates recent studies regarding the effect of culture on economic growth and development. The found out that the enormous challenges for economic growth and development still needs to review their conceptions about in a particular society, variation of culture or social organization conversion is pronounced with more strong and resilient reference setting and said that culture may be the hinderance to the economic growth or may be a promising tool.

**Basedau, Gobien and Prediger, (2017)** reviewed on the empirical quantitative literature on the effect of religion on development from the last decade and found out that there is more need rigorous methodological and theoretical investigations and better availability and coverage of data.

**Fuller, (2017)**, studied on big data, ethics and religion: New questions from a new science including some explorations of the ways in which insights from religious and theological perspectives might be valuable and said about the need of engagement of different jurisdiction.

## CONCLUSION

Religion is the most important source of values therefore, the role of religion in the development process is again in program. From this review study, a definite conclusion cannot be made. There is no study which refers clearly the type of religious values promoting the growth. The conclusion of this review is that there is no specific religion which can be considered to be pro-or anti growth. Recommendations can be drawn that this topic can be best studied with the later analysis about the political leaders manipulate public opinion and the dominant view of religion.



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