

## Study on Religious Values and Economic Growth

Shweta Garttan<sup>1</sup>

Available online at: [www.xournals.com](http://www.xournals.com)

Received 7<sup>th</sup> September 2018 | Revised 10<sup>th</sup> October 2018 | Accepted 13<sup>th</sup> December 2018

### *Abstract:*

*The interest in the controversies regarding the role played by religion in society is increasing in the recently passed years. The present review study is about the impact of religion on organizations and financial evolution. 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 numerous time periods, the sovereigns try to affect the leading explanation of a religion. In courtesy of a fundamental outcome, proof is increasing from the financial condition to religious explanations while causality is a difficult issue.*

**Keywords:** Religion, Economic Growth

### *Authors:*

1. Kurukshetra University, Haryana, Kurukshetra, INDIA

## Introduction

Awareness of the significant role played by culture and religion in improving the economic development is increasing by development organizations from mid 1990s. In various reports of World Bank and the happenings of the World Faiths Development Dialogue, this awareness is noticeable. There are many ways of defining the economical phenomena like as behavioral economics, new institutional economics, evolutionary economics, and economics and culture are grabbing the attention which are much significant. Culture is the combined encoding of the mind that differentiates the followers of one group from another, as defined in the reference literature. A shared set of principles, events and organizations previously stated on trust in supernatural powers is said to be the religion which afterwards considered as the part of culture. Society can be influenced by the religion and religious happenings in two methods, where first is the religious happenings which can also be called social activities such as church attendance which are comparable with the gatherings of tennis clubs, football clubs, political parties, scouts etc. These gatherings can be an instrument helps in the establishmnet 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 pertains to the financial and culture view on economics which researches the connection between financial organizations, values, and financial enactment.

## Three Stages of Economic Development

All the three stages of financial growth can be illustrated (Marini, 2004) and every single stage is classified by a specific standard of economic development of income per capita and the set of leading standards. The initial stage is categorized by the short levels of progress and low income per capita and is branded as the antique or the pre-industrial stage. There are majority of the population especially are farmers which are dependent on agricultural production. Economic privations which are initiated by the absence of methodological abilities for handling climatic complications and by destruction resultant from wars between local

warlords are protected by the extended families and communities.

The second stage comprises of extraordinary progress amounts and a sharp escalation in income per capita and also stated as the industrialization, modernization, or take-off stage. Relatively high saving rated 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 final stage can be described by comparatively diffident standards 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 financial progress is comparatively great as illustrated by the three stages of economic development. Lower rates of economic growth characterizes both the post industrialization era and the post modern era, the standard of income per capita is less during the initial stage and high during the second stage as it differs considerably.

It will be the constructive outcome on the standard of financial progress and a destructive outcome on the comparative progress rates in cross country examination of a specimen of prosperous nations 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 stages of growth, the progress rate can vary from the certain level of the economic development. Barro and McCleary studied the series of papers about impact of church attendance and religious belief on the standard 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 frequently attend church services or not, and whether they believe in heaven or in hell. In regressions, the average of the respondent's answers in a nation is used. According to the result of survey it has been noticed that belief in hell seems positively contributes to the financial growth and the coefficient of belief in heaven is inconsequential.

Church attendance has found an undesirable effect on progress of economy showing that the time spent in church is the expensed time for financial action.

After that Durlauf criticized the study of Barro and McCleary on many points, re-estimated and incorporated as control variables, conventional Solow variables and three processes of former essential concepts of financial evolution. There are many types of traditional Solow variables which are population growth, real investments to real GDP, and the average years of secondary schooling in the overall population over age 25, and real per capita GDP for the early year of the sample. A climate of a country and earthly segregation, its financial and political organizations 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 important in contrast with the Barro and McCleary's result.

**The role of religious leaders**

The texts written in holy books are relevant to countless circumstances of life. In the Bible, at many places, monarchs are condemned for the severe behaviour for their subjects and the poor. Without being specific about the particular situations, religious leaders uses these phrases and criticizes 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 undeviating bonding between religious beliefs and financial progress. This view is taken as the starting point by some of the studies and the relationship between religion and organizations and kinds of governance that are known to positively or negatively bother financial progress 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 nurturing and active religious involvement and also reduces the inclination to disrupt any kind of legal rule. Adaptability of institutions is significant for economic development is another claim.

**Governance**

Economic growth is often found to be associated with trust and cooperation. There are many researches which have established a positive rapport between the financial progress and faith. The variables of trust is the fraction of people retorting that most can be relied upon after the deletion of don't knows. Religious upbringings has a negative influence on trust for Muslims, Catholics, and Hindus and unaffected for the other religions. For Protestants, the totality 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 exposed borders and free undertaking of persons along with a welcoming mind for fresh ideas and thoughts. The effect of Corruption is generally considered negative on the economic growth while it works as a possitive factor in the short run bribe paying in case of bad economic institutions.

As the bond between religious ethics and financial progress is not strong and healthy, the bond between religion and aspects influencing development are focused under the organizations and authority headings (Jong, 2008).

**REVIEW OF LITERATURE**

**Barro and McCleary, (2003)** worked on factors of the financial progress ignored the impact of religion. They use suggested instruments in which church presence and beliefs are the reliant variables and found out that religious belief responds positively to the economic growth remarkably those in hell and heaven but undesirably to church attendance. They conclude that religious principles impact single personas that augment the financial enactment.

**Vitell, (2009)** studied the review of role of religiosity in business and consumer morals. The review is descriptive rather than the normative associating religion to corporate and consumer principles. The motive is to inspire investigator to follow supplementary examination in this space.

**Campante and Drott, (2013)** studied on the financial influences of religious practice in the perspective of the performance 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)** examines latest researches concerning the outcome of culture on financial progress and expansion. The found out that the huge challenges for financial evolution and progress still requires to review their conceptions about in a particular society, variation of culture or social organization conversion is marked with more robust and irrepressible orientation 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 experimental quantifiable work on the influence of religion on progress from the previous decade and found out that there is more need arduous operational and theoretic investigations and enhanced obtainability and analysis of data.

**Fuller, (2017)**, studied on huge data, principles and religion: New queries from a new science comprising some investigations of the ways in which visions from religious and doctrinal perceptions might be appreciated and said about the need of engagement of different jurisdiction.

## CONCLUSION

Religion is the most significant cause of principles therefore, the status of religion in the expansion course is once more in program. From this review study, a definite conclusion cannot be made. There is no research which states clearly the kind of religious principles promoting the development. The conclusion of this review is that there is no precise religion which can be deliberated 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 handle public opinion and the prevailing opinion of religion.



### References:

Barro, R.J. and R.C. McCleary (2003). Religion and Economic Growth across Countries, *American Sociological Review* 68(5), 760-781.

Basedau, Matthias, *et al.* "The Ambivalent Role of Religion for Sustainable Development: A Review of the Empirical Evidence." *SSRN Electronic Journal*, 2017.

Campante, Filipe, and David Yanagizawa-Drott. "Does Religion Affect Economic Growth and Happiness? Evidence from Ramadan." 2013.

Fuller, Michael. "Big Data, Ethics and Religion: New Questions from a New Science." *Religions*, vol. 8, no. 5, Oct. 2017, p. 88.

Inglehart, R. (1997). *Modernization and Postmodernization: Cultural economic and political change in 43 societies*. Princeton NJ: Princeton University Press.

Jong, Eelke de. "Religious Values and Economic Growth: A Review and Assessment of Recent Studies." NiCE Working Paper, 2008, Available at: [www.ru.nl/nice/workingpapers](http://www.ru.nl/nice/workingpapers).

Khan, Muhammad Mahroof, *et al.* "Cultural Values and Economic Development: A Review and Assessment of Recent Studies." *Journal of Culture, Society and Development*, vol. 9, 2015, pp. 60–70.

Marini, M. (2004) Cultural evolution and economic growth: a theoretical hypothesis with some empirical evidence, *The Journal of Socio-Economics* 33, 765-784.

Vitell, Scott J. "The Role of Religiosity in Business and Consumer Ethics: A Review of the Literature." *Journal of Business Ethics*, vol. 90, no. S2, 2009, pp. 155–167.