

RELIGION DISTRIBUTION AND ECONOMIC GROWTH: A REVIEWING THEORETICAL AND EMPIRICAL LITERATURES

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Abstract: *Many theoretical studies and empirical researches have been focused on the effects of religion on the economic growth since several years ago. The influence of culture and religion as a part of culture becomes very obvious, religiosity has many effects on ethical and behavioural human preferences hence represents an important component of human capital which in turn affects directly the socio-economic and political decisions. Since that, the rational model in explaining the economic phenomena becomes questionable, the study of the relationship between religious factors and economic growth has a great meaningful. The main objective of this paper is to review some theoretical and empirical studies on the relationship between religion distribution and the economic growth and performance. A qualitative method has been used base on a systematic literature review and findings from different theoretical and empirical journal articles to explain the relationship between religion distribution and the economic growth with various backgrounds.*

Key words: *Religion distribution, economic growth, economic development, beliefs.*

Introduction

Several studies in both theoretical and empirical research domain have been focused on the effects of religion on the economic growth since many years ago. The studies showed the influence of culture and religion as a part of culture on the economic growth, the phenomenon becomes very obvious, religiosity has many effects on ethical and behavioural human preferences hence represents an important component of human capital which in turn affects directly the socio-economic and political decisions. Since that, the rational model in explaining the economic phenomena becomes questionable, the study of the relationship between religious factors and economic growth has a great meaningful.

The main objective of this paper is to review some theoretical and empirical studies on the relationship between religion distribution and the economic growth and performance, in a

purpose to shed the light on the reasons behind the differences in the findings of several researches in the economics of religion field.

A qualitative method has been used base on a systematic literature review and findings from different theoretical and empirical journal articles to explain the relationship between religion distribution and the economic growth with various backgrounds, to identify why the results from these researches are not the same.

Several studies found out that Even though the theoretical and empirical studies show different effects generating from the relationship between religion distribution and economic growth, the outcomes are sometimes ambiguous or/and controversy from one study to another, there is a great difference between regions and countries in whether a specific religion is pro or anti-economic growth, in addition the causality issue remained a real problem.

Audretsch, David B., and Nancy S. Meyer (2009) determined that Hinduism religious beliefs and the India's caste system "Varna" have a negative effect on the Hindu economic behaviour. Ahmad, Mahmud bin (2003) figured out that Islam has been fostered the economic growth in Malaysia since its independence, the country has followed the western model in the development with a great tolerance among different religions. Whoever Wang, Q., & Lin, X. (2014) conducted a study on the effects of religiosity in china, argued that Christianity has the most significant effect on the economic growth. Solving this problem is crucial to understand the causal effects between religion distribution and the economic development, how religion factors affect positively or negatively the economy? How religiosity behave under the effects of an increasing economic growth?

Literature review

Wang, Qunyong, and Xinyu Lin (2014) used a provincial panel data in China brought from the period 2001 to 2011 to evaluate the effects of religion on the economic growth. Several previous studies focused on the effects of different factors on the economic growth, while this research aimed to identify the religion distribution effects.

In the same way, many empirical studies found different relationship between economic growth and religions, for instance Noland (2005) showed a positive relationship, and Islam is not inimical to the economic development which is similar to Pryor (2007) findings. The research from Alon and Chase (2005) used a cross sectional data and analysis from 54 countries to find that multi religions in freedom systems affects economic growth positively essentially in the long run. Barro and McCleary (2003), and Guiso, Sapienza, and Zingales (2003) used data of 59 and 66 countries respectively from the World Value Survey (WVS) showed that there is a positive correlation between economic growth and the religion affiliation and beliefs. Grier (1997) brought data from British (Protestant) and Spanish and French (mostly Catholic) colonies, argued that religion distribution affects the economic growth of the colonies, the Protestantism has more significance.

The study identified the mechanisms by which religion affects economic growth, first the religion effects can shape the government decisions, policies and drives the political preferences, social attitudes and the environment of laws and legislation. The second effect is on healthcare, education and the accumulation of human and physical capital. Third, religion has great effects on decreasing the cost of transactions through work values which may create trusted links and lets groups agree on some socio-beneficial commitment among societies for

instance respect of law and hating corruption, in sum the creation of the professional ethics. In addition, Dolansky and Alon (2008) found colossal effects of religion on the conditions and environments of the international trade.

The findings showed that the Christianity has the most important positive relationship, by increasing ethics and values which lead to a high level of human capital accumulation and as a result social harmony, political stability and economic prosperity.

Ahmad, Mahmud bin (2003) figured out that Islam has been fostered the economic growth in Malaysia since its independence with a great tolerance among different religions and imitation of the western model in development. Author argued that Islam is an important variable in the Malaysian economic growth by following Islamic rules and applied modern plans and policies, we can see evidences from the economic success, well distribution of income and wealth among multi-ethnic population, the government role as an interventionist in the whole economy is playing an important action in developing the country and enhancing the economy.

Ortiz Jaime. (2009) argued that the previous study mainly Barro and McCleary (2003) and Noland (2005) did not focus on the effects of religion on the economic growth regionally especially for the Latin American countries individually, however this study like others for instance Branas-Garza et al. (2009) showed a positive effect on the behaviour of individuals in a group of countries from Latin American region. The research brought data from a sample of Latin American countries with different economic sizes, Brazil, Mexico and Chile are more developed, Costa Rica and Colombia are at the middle level, while Uruguay and Argentina are still underdeveloped.

The empirical results of the study found out that, corruption has a detrimental effect on the economy, democracy and pluralism increase religious practices and attendance of religious services, the relationship between religion distribution and economic growth is positive with significant coefficients, among all religions introduced in the study Catholicism shows the most greater effect on the economic performance while in the country of Uruguay the dominant religion is Protestantism.

McCleary, R., & Barro, R. (2003) did a quantitative research used constructed broad cross-country data brought from six international surveys between 1981 and 1999 of more than 100 countries. The data on the religiosity proxies mainly church attendance and religious beliefs has been brought first from the World Values Survey (WVS) for the four waves between the periods 1981-84, 1990-93, 1995-97, and 2000-2001 respectively, second from the Gallup Millennium Survey (1999), and third from the International Social Survey Programme or ISSP in its two reports related to religion for periods 1990-93 and 1998-2000. The data sources on economic growth are World Bank (2002), Summers, Barro and Lee (2001), Aten (2002), and Heston.

Even though the study identified causal effects between religion and economic growth, findings show a negative relationship between attendance at religious services mainly church attendance and economic growth, while the relationship between religious beliefs essentially beliefs in hell and heaven and economic development is positive.

In contrast, Durlauf et al. (2005) conducted a study including Solow variables¹ and three other measures of economic growth², in which they argued that Barro, R and McCleary research is not robust, the relationship between belief in hell and economic growth is not significant at level 5% except a marginal significant effect of belief in heaven at level 10%.

De la Croix, D., & Delavallade, C. (2015). Theoretically, this study argued that religion affects economic growth through the fertility rate in the long run, the effects depend on how religion followed in such society views the continuity of human race by encouraging fathers and mothers to have a high fertility rate and to well educate their children, religion calls for high fertility rate called pro-birth religion, while the other which observe more on healthy and well-educated children represents the pro-child religion.

More educated people reduce the fertility rate, religion of Hinduism has a positive effect on having more birth, whoever Catholicism has the highest effect three times more than Buddhists, the findings from the study of Lehrer (2004) showed similarities in terms of results with those found in this study. The religion effects on fertility is almost the same between both fundamentalist Protestants, other Protestants and Catholics, while the comparison of Catholics and non- Christian religion uncover that the former has the highest rate, these results are similar to those from Zhang (2008) research in the United States.

Catholics has an average fertility rate of +0.91 child which represents the highest level in comparison with all existing religions in this region of the South-east Asia, Islam has +0.56 and Buddhist is the lowest at +0.33. In conclusion, results depend on whether the religion is pro-birth or pro-child.

Jong, E. de. (2008) argued that many quantitative and qualitative studies have been done to evaluate the relationship between religion and economic growth, there is an ambiguity in the empirical study's findings, no specific religion showed to be pro- or anti-growth, due to the weakness in the theoretical framework, and the difficulty to identify the direction of causality effect, evidences are in favour of that economic prosperity is more likely to influence religious beliefs and practices rather than the reverse.

Religion effects can be seen through first, religious social activities like Masjid and church attendance, fasting month, and pilgrimage, these activities are similar to sport and political events and activities which serve as meeting and social networks in developing several economic activities. Second, values and beliefs which represent the most religious factor affecting the individual behaviour hence influence the economic functionality.

The study concluded that there is a lack at the theoretical and hypothetical levels in the majority of empirical studies in terms of the impact of beliefs in here after on the economic growth for instance, Sakwa (2006) and Sakwa et al. (2006) brought more evidence on this subject.

Several evidences based on findings from theoretical and empirical researches confirmed the non-homogeneity between different major religion in the world such as Protestantism,

¹ Average of secondary schooling years for population over 25 years old, real per capita, the total real investments, and the population growth.

² The social fractionalization degree, Political and economic institutions, and the whole climate in the country and the geographical isolation.

Catholicism, and Islam that means the use of the same religious indicators remained a mistake which lead to misspecifications and ambiguities in findings, for instance we can see Inglehart and baker (2000), moreover religious beliefs can be manipulated by political leaders.

Finally, based on that economic growth level and political situation can make pressure on individual to change the religious values which previously he or she adheres to, we cannot say any religion is pro or anti-growth.

Finding and discussion

Religion is a complex issue derived from the social and cultural capital, represents the most important source of values which may have an influence on the economic development. Several empirical studies show a significant positive impact of religion on the economic growth overall.

It can be concluded from the results of several studies that the relationship between religion distribution and economic growth cannot be considered a pro or anti-growth base on a specific religion, in addition the economic development and political circumstances can change the religious values. Among several theoretical and empirical studies on the topic subject matter, Wang, Q., & Lin, X. (2014) argued that Christianity has the most significant effect on the economic growth within all religions used in the research in China, while Ahmad, Mahmud bin (2003) figured out that Islam has been fostered the economic growth in Malaysia since its independence with a great tolerance among different religions and imitation of the western model in development. Meanwhile, other studies revealed different results in other countries.

Many reasons may give more explanation on the existing different findings, the significance of religion effects on the economic growth depends on the estimation methods used in a given region or country.

Empirical researches use econometric models in a purpose to identify relationship in the real world using data from direct questionnaires or from institutions both national and international, Box, G. E., & Draper, N. R. (1987) argued that every econometrics model has some shortcomings, “essentially, all models are wrong, but some are useful”.

Lack in the theoretical framework, as we mentioned above religion is the most source of values which are the outcome of long changeable history of societies, means that many factors including religion are behind the construction of values. The start point for any theoretical or empirical study on the relationship between religion and economic growth is to figure out the set of values taken by a specific religion for a certain people.

The economy should follow some socio-economic and political rules to attain the development and succeed in achieving economic prosperity, religion acts as an extra factor to enhance the achievement of the economic performance and to reduce social and economic costs, for the same religion in the Muslim world some countries are more developed than others. Religion can be used as a stimulator to create sustainable economic growth, or a distractor factor in many other purposes such as terrorism, or corruption, for a long time ago till nowadays, Political leaders can influence religion values and use them in a purpose to achieve their goals, and their self-interest.

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