ROLE OF RELIGIOUS BELIEFS AND PRACTICES INFLUENCE ON ECONOMIC DEVELOPMENT

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Abstract

Purpose: The purpose of the study was to determine the role of religious beliefs and practices on economic development on the Kenyan economy.

Methodology: The study adopted a desktop research design.

Results: Based on the past literature the study concluded that religious beliefs significantly influence economic development on the Kenyan economy. Religious Practices and Objections of Some Religious Groups to the economy were significantly related to the economic development on the Kenyan economy. Religion and religious activities can influence society in two ways. First, religious activities, such as church attendance, are social activities and thus comparable to meetings of football clubs, tennis clubs, scouts, political parties, etc. These meetings can be instruments for establishing networks that could be of use for economic activities in the region and could also be helpful for establishing trading relations with partners from other countries who belong to the same religious group. Such networks can stimulate economic growth.

Policy Recommendation: Based on the study findings the study recommends that Religion and religious activities can influence society in two ways. First, religious activities, such as church attendance, are social activities and thus comparable to meetings of football clubs, tennis clubs, scouts, political parties, etc. These meetings can be instruments for establishing networks that could be of use for economic activities in the region and could also be helpful for establishing trading relations with partners from other countries who belong to the same religious group. Such networks can stimulate economic growth. The study also recommends that governments and religious stakeholder should work hand in hand to formulate policies that will motivate the Kenyan economy.

Keywords: economic development, religious beliefs and practices, Kenyan economy
1.0 INTRODUCTION

1.1 Background of the study
Economic growth is the fundamental measurement that assesses a country’s productive capacity in terms of goods and services. It is conventionally estimated using the percent rate of increase in GDP per capita and is correlated with numerous factors in society, among which include quality of life. For example, one application of GDP per capita is as a primary indicator of standard of living. However, although GDP per capita is a reliable determinant of the level of development in a country, it is certainly not the only way to measure well-being. For instance, it fails to capture many important aspects of human welfare including health, education, and culture.

Some researchers, such as Huntington (1996), Landes (1999), and Inglehart and Baker (2000), argue that explanations for economic growth should go further to include a nation’s culture. Culture is usually thought to influence economic outcomes by affecting personal traits such as honesty, thrift, willingness to work hard, and openness to strangers. Religion is one important dimension of culture. Thus, Weber (1930) argued that religious practices and beliefs had important consequences for economic development.

Religious motivation has played an important part in development over the years. De Kadt (2009: 782) writes of the 1970’s in Africa when public healthcare in rural areas was so sparse that religious facilities often provided the only available resource, stating ‘the dedication of such missionaries, mostly working in extremely difficult conditions, to the well-being of their poor patients was admirable’. Their role became even more crucial when IMF structural adjustment policies forced many developing governments to heavily reduce social provisions (Clarke 2006). Further still, religious motivation has been known to induce FBOs to challenge dictatorships and defend human rights, such as the Catholic Church in Latin America during the 1970’s and 1980’s (De Kadt 2009).

Religion affects society and demography in sociological and psychological ways. Studies of religion promise to enhance economics at several levels: generating information about a neglected area of “nonmarket” behavior; showing how economic models can be modified to address questions about belief, norms, and values; and exploring how religion (and, by extension, morals and culture) affect economic attitudes and activities of individuals, groups, and societies. (Iannaccone, 1998)

A study by Barro and McCleary (2003) takes three religious variables – monthly church attendance, belief in hell, and belief in heaven. In order to deal with the isolation of direction of causation from religiosity to economic performance, the estimation relies on instrumental variables suggested by an analysis in which religious activities attendance and individuals’ religious beliefs are the dependent variables. The instrumental variables they adopted were the dummy variables of state religion and religious regulation, the composition of religious coherence, and indicator of religious pluralism.

Robert Barro is one of the most active researchers in the field of religion and economy, with Rachel McLeay. In their paper Religion and Political Economy in an International Panel (2002) they find a contradicting result with the common belief. In the study they find church attendance and belief in heaven or hell are positively related to education level, which shows an opposite result from what major of people believe to be – that people who received higher
education and thus with more scientific knowledge will hold opposite thoughts to religious beliefs. They also find that urbanization is negatively related to religious beliefs or actions, which is expectable since in many rural communities churches act as a gathering place of societal meetings and interactions. Also economic growth responds positively to the extent of some religious beliefs but negatively to church attendance – growth depends on the extent of believing relative to belonging.

Besides Barro and McCleary, many of the economists and sociologists have reached to a similar conclusion, that it is hard to argue that religious activities, beliefs, or affiliations have significant effects on economic growth. Marcus Noland (2002) studied India, Malaysia, and Ghana, and his null hypothesis that religious affiliation is uncorrelated with performance is frequently rejected. The regressions do not yield any significant influence from a specific religion, and the results do not support the notion that Islam is inimical to economic growth. Rather he found out positive correlations between Islamic shares and economic growth, in both cross-country and within-country tests.

Analyses that have found beneficial influences of religiosity on various health and economic outcomes have generally specified religiosity as either a continuous religious participation variable, or a dichotomous variable for high versus low attendance to religious services. Chiswick and Huang (2007) use a set of dummy variables for various levels of participation, thus allowing for the possibility of non-linearity. Based on data from the 2000/2001 National Jewish Population Survey, they find that individuals who attend religious services weekly have significantly higher earnings than those who attend less frequently, supporting the hypothesis that some religious involvement has a beneficial effect on labor market outcomes; however, those who attend religious services more than weekly have lower earnings than those who attend weekly.

In terms of Islam, there are also two groups of researchers. One group emphasizes the negative effect of Islam on economic development while the other one is trying to prove that it is not Islam itself that works against the economic growth. The first group (e.g. Huntington, 2001, Landes, 2004) claims that the conviction that God is the only one, almighty, sovereign, eternal and disposes of lives and properties of his retainers led to not only lack of freedom and limited property rights suppressing business, competition and economic development but also to fatalism. Another aspect of Islam is insignificance of individuals. Human being is part of the society serving to God. This aspect is evident in common worship. It discouraged the individual efforts and thus competition. Other factors which hold down the economic development are personalism, laziness, and lack of curiosity, mistrust of science, conservatism and traditionalism. These features are commonly called Islamic culture.

1.1.1 The Kenyan Economy

According to data released by the Kenya National Bureau of Statistics (KNBS), the increase in the country’s gross domestic product (GDP) from 5.3% in 2014 to 5.6% in 2015 was driven by the construction sector that grew by 13.6% in 2015 compared to 13.1% in 2014, the financial and insurance sector that grew by 8.7% in 2015 from 8.3% in 2014 and the agricultural sector that reported a 5.6% growth in 2015 compared to the sector’s growth of 3.5% in 2014.
The National Treasury reported that Kenya had a fiscal deficit of 8.7% of GDP in FY15. BMI forecasts a fiscal deficit of 8.1% of GDP in FY16 due to shortfalls in income tax and value added tax (VAT) collections despite efforts by the Government to increase tax compliance through incentive programs and electronic payment systems.

The Central Bank of Kenya’s (CBK) Monetary Policy Committee (MPC) in May 2016 lowered its benchmark interest rate to 10.5% from 11.5% due to the trends of reducing inflation rates and stabilization of the Kenyan shilling (KES). Following this move, the MPC is also expected to revise the base lending rate, Kenya Banks’ Reference Rate (KBRR) in June 2016 and hence reduce the cost of credit in the country in the second half of 2016.

The health of the banking sector in the country has come under severe scrutiny following the placement of three banks under statutory management by the CBK. BMI notes that the CBK’s enforcement of strict prudential regulations along with an over-served banking sector present opportunities for consolidation in the sector.

As a member of the integrated EAC, Kenya’s external performance will also depend on the growth rate of EAC countries. According to BMI, all countries in the EAC except Burundi and South Sudan will achieve rapid GDP growth rates. BMI notes that 9.3% of the workforce in Kenya is unemployed while the country’s poverty rate is over 40%. BMI however forecasts that the net income per household will reach USD 2,496 in 2020 from USD 1,752 in 2016 due to the country’s improving economy.

1.2 Problem Statement

According to the first three waves of the World Values Survey (Inglehart, 2000), 83% of the people interviewed believe in God, 75% believe in heaven, 26% attend a place of worship at least weekly and 38% at least once a month. More than 65% of the people questioned find comfort and strength in religion. In contrast, only 7% of the world’s population are not affiliated with any religion or consider themselves as atheists (Barrett et al., 2001). Nevertheless, the distribution of religious beliefs, values, and practice is not uniform across countries. While the people in some countries such as Bangladesh, the Philippines, and Nigeria are predominantly religious both in expressed opinion and religious practice, other countries such as China, Russia, and Denmark display very low levels of religiosity.

The importance of religion as a determinant of economic development was introduced in the mainstream economic literature almost a century ago. Max Weber (1905) recognizing the far reaching role that religion can play in social transformation, went on to claim that the Protestant Reformation, through its impact on the belief system, was central to the emergence of capitalism. There have been several studies that have challenged the validity of this claim. Tawney (1926) and Samuelsson (1993) argue that the main capitalist institutions which Weber (1905) ascribes to the transformative power of the Protestant Reformation, predated that movement. A weaker version of the Weberian thesis was proposed by Eisenstadt (1968), according to whom it is not a particular theology or belief, but the “transformative potential” of religion that can result in shifts in values and behavior, which in turn can alter outcomes. Iannaccone (1998) provides an excellent survey of this literature on the economics of religion.

The role of religion for education and thus economic development was seen in Jewish history, too. (Botticini, 2005) emphasized the transformation of Jewish religion about the
year 70 a.d. toward understanding Tora. Each Jew was responsible for teaching his sons to read and understand Jewish rules. By this fact Jews gained the competitive advantage in the form of human capital that could be offered in the market.

Several studies report the use by politicians of religious arguments for making their policies accepted by the public. Platteau (2007) argues that from the very beginning of Islam, this religion has been manipulated by political actors. He uses examples from different countries and centuries to testify his argument that rulers have used Islam to consolidate their powers. Instrumentalization of Islam, he calls it. In this process rulers and the religious people supporting them often refer to a glorious past, and ask for a renaissance; a return to the true sources of the religion concerned.

The direct link between religion and macroeconomic development of a country, though generally acknowledged, has received little attention in terms of empirical research. An exception is the paper by Barro and McCleary (2003) who examine the growth impact of a number of religious variables in a cross-country panel setting. The lack of agreement by the authors, the scarce empirical literature will provide a pan on where the study will seek to determine the role of religious beliefs and practices on economic development on the Kenyan economy.

1.3 Research Objectives

To consider how religious beliefs, influence economic development on the Kenyan economy

Identify some religious practices and their influence on economic development on the Kenyan economy

Highlight the objections of some religious groups to the kind of model of development on the Kenyan economy

1.4 Research Questions

What is the effect of religious beliefs influence on economic development of the Kenyan economy?

What is the effect of some religious practices on economic development of the Kenyan economy?

What is the effect of religious groups’ objections on economic model pertaining economic development of the Kenyan economy?

2.0 LITERATURE REVIEW

2.1 Theoretical review

2.1.1 Secularization Theories

The common view of the relationship between religion and economic growth thus became summarized by the “secularization hypothesis. “This states that as society’s progress in terms of modernization and rationalization, religion loses its significance in aspects of social life and governance. In other words, economic growth has a negative effect on religion. Weber cites Germany as an example, noting that “wherever a relationship between business activity and religious belief exists, it turns out to be a negative one... People who are saturated
by the capitalist spirit today tend to be indifferent, if not openly hostile, to religion” (2009, p. 83).

Although this powerful theory has prevailed over time, it is being challenged as of late. Several other authors contribute competing theories regarding the relationship between religion and economic growth. One such hypothesis, expanded by Chaves &Cann (1992), involves state regulation of religion.

Measuring this empirically, they claimed that greater state regulation of religion, which was primarily measured by whether the government appoints or approves church leaders, decreased the efficiency of religion providers. Consequently, church attendance decreased as well.

In summary, the conclusion of this theory is that state involvement tends to interfere with church activities and, in a broad sense, decreases religion. It is important to note that based on relevant literature, this “efficiency” seems to be largely open to interpretation. According to Salvatore and LeVine (2005), the efficiency of a religion provider could be described through the delivery of public goods. They view voluntary religious organizations, or those not regulated by the state, “as efficient providers of local public goods in the absence of government provision.” Similarly, Shah, Larbi, and Batley (2007) attempt to explain the efficiency in terms of serving the public.

In comparison to similar for-profit and governmental services, they say: “Religious providers hired qualified workers more cheaply and were more likely to provide pro-poor services and to charge lower prices, with similar quality of care” (Shah, Larbi, and Batley 2007, p. 13).

In general, religion providers’ efficiency is measured by their provision of public services, and more specifically, in terms of output per unit of input. Although it is not commonly stated in the literature, one could intuitively believe that efficiency could also depend on the quality with which the duties of the provider are conducted. The challenge, however, lies in quantitatively measuring such a factor.

Another theory, inspired by Adam Smith, involves religious pluralism and focuses on market or supply-side forces and competition among providers of religion. Under the assumption that the notion of supply-side is broadly defined as the quantity and/or quality with which goods and services are produced, the stimulation of growth, in this case, involves how religious products (primarily church services) are provided. This theory claims that a greater diversity of religions promotes greater competition in the religion market. This creates a better quality “religion product,” as Barro and McCleary(2003) put it, and thus leads to greater religious participation and beliefs.

2.2 Conceptual Framework

According to Bogdan and Biklen (2003) a conceptual Framework is a basic structure that consists of certain abstract blocks which represent the observational, the experiential and the analytical/synthetically aspects of a process or system being conceived. It is a concise description of the phenomenon under study accompanied by a graphical or visual depiction of the major variables of the study (Mugenda, 2008). According to Young (2009), conceptual framework is a diagrammatical representation that shows the relationship between the
dependent variable and independent variables. The purpose of a conceptual framework is to assist the reader to quickly see the proposed relationship and hence its use in this study.

### Independent Variables

- Religious Beliefs
- Religious Practices
- Religious Groups objections

### Dependent Variables

- Economic Development

**Figure 1: Conceptual Framework**

### 2.3 Empirical Literature

#### 2.3.1 Religious Beliefs Influence on the Economic Development of the Kenyan Economy

Development is closely linked to the idea of progress. Therefore, the way in which progress is quantified, whether through economic, social or spiritual values, determines the way in which we conceptualize development (Power 2005). Religious beliefs are similarly ambiguous, although this arises from the sheer diversity of faiths present in the world today. Consequently the relationship between development and religion is hauntingly complex and so variable that it eludes simple definition (Alkire 2007). Nevertheless, since the first missionary endeavors of the colonial era, religious-based ethics have, for better or worse, always played a role in development (De Kadt 2009).

Both secular and religious development organizations have the shared humanitarian goal of alleviating and tackling the causes of poverty. Their difference lies in their motivation (Brandt 1995; Alkire 2007). Unlike secular organizations religious groups draw on the spiritual values embedded in their faith to provide the logic for development work, and this can act as a powerful motivator (Clarke 2006). For instance, the policies and practices of WV reflect a desire to be ‘Christ-like’: healing the sick, feeding the hungry, clothing the naked and comforting the outcast (Tripp 1999: 62). A look at WV’s core values reaffirms these assertions, stating our ‘mission is to follow our Lord and Saviour Jesus Christ in working with the poor and oppressed...’ (WV International 2010: Who We Are). The Christian ethic present in WV as an organization and among its staff instils a sense of duty that motivates their development work (Tomalin 2006).
Ashraf and Galor (2011) discover a similar pattern that involves religious pluralism and economic growth. They state: “the interplay between cultural assimilation and cultural diffusion has played a significant role in giving rise to differential patterns of economic development across the globe” (Ashraf and Galor 2011,). In other words, a broad definition of diversity, which includes religious diversity, tends to spur economic growth among countries. A significant question, however, is whether or not this broad definition is sufficient. The answer to this has important consequences for this argument. Regardless, this idea challenges the common counterargument that diverse populations migrate towards wealthier areas of high productivity and economic growth rates (Florida 2011). It also tests the concept of the Protestant ethic. While Weber believes that the Great Divergence, or the phenomenon in which Europe and the Americas surpassed the rest of the world in terms of economic development, was instigated by Protestants’ work ethic and beliefs, Florida credits “a relative openness to other cultures” by these leading countries (2011, p. 1).

Their most significant conclusion was that: “Proximity, openness, and diversity operate alongside technological innovation and human capital as the key engines of economic prosperity” (Florida 2011, p. 1). As a driver of growth, cultural diversity inspires a heightened awareness of differences which could contribute to creativity and progressiveness, specifically with respect to industrialization, as Ashraf and Galor (2011) suggest.

2.3.2 Religious Practices and Their Influence on Economic Development of the Kenyan Economy

The amalgamation of development and proselytizing raises questions vis-à-vis the priorities of FBOs. Bornstein found that WV employees viewed the world through the binary concept of evangelized and unevangelized suggesting that their concern lay more with religion. In addition employees applied a further binary view on top of the previous; developed and developing. This demonstrates that for WV development is only successful if spiritual poverty is tackled in tandem with material poverty. The Zimbabwe regional manager of WV stated that ‘we [WV] would prefer a situation where there is no Christianity at all’ (Bornstein 2002: 13). Oddly she was less concerned with finding populations where the physical need was greatest; however this may just show that she felt this was the same as not being Christian.

2.3.3 Religious Groups objections on economic model pertaining economic development of the Kenyan Economy

Asceticism is a lifestyle that is characterized by: “the practice of the denial of physical or psychological desires in order to attain a spiritual ideal or goal” (“Asceticism...” 2013, p.1). Through this lens, the pursuit of wealth is inherently bad. On the other hand, Protestants believed in an “inner-worldly” asceticism, or: “the concentration of human behavior upon activities leading to salvation within the context of the everyday world”(Elton 1963). Weber says, “It refers basically to the idea that the highest form of moral obligation of the individual is to fulfil his duty in worldly affairs” (2005, p. xii).

Weber (2009) also explains that it is not religion, per se, that affects economic activity, but this worldly asceticism of Protestants. He continues, saying that asceticism characterized by traditionalism and habit does not stimulate capitalism. Since the fulfillment of obligations on
Earth was the primary way to prove religious merit, capitalism became more widely accepted and began to lose its notoriety aceaseless quest for profit (Weber2009).

2.4 Conceptual Gap

The direct link between religion and macroeconomic development of a country, though generally acknowledged, has received little attention in terms of empirical research. An exception is the paper by Barro and McCleary (2003) who examine the growth impact of a number of religious variables in a cross-country panel setting.

Religious arguments can, however, also be used for legitimizing the status quo. Muhammad Yunus, the founder of the Grameen Bank, reports of resistance by religious conservatives against the increasing role women obtain as a result of the loans provided (Yunus, 2003, 78, 107-111). Rumours are spread about the evil that will be caused by joining the Grameen bank. It is said to convert women to Christianity, to destroy Islam and steal houses and property etc. Female workers of his bank often use a bike for travelling between the various villages. The Muslim conservatives, however, could not accept a woman on a bike. He also reports of a case in which a branch of Grameen was closed after its manger was threatened by the local mullah. Women of the village persuaded the local mullah to ask the manager to reopen the branch. In this process the women argued that the bank’s manager knew more of the Quran than the mullah himself.

Moreover, the loans would help them to work at home, which would, they argued, be more in accordance with Islamic rules than to necessitate them to go out. Using the argument that the new situation is more in accordance with the religious tradition than the current one is found frequently in the literature (see also Episto and Mogahed, 2007, 112-117). In general, reform is more successfully established if promoted in the particularsociety’s dominant religious framework.

2.5 Research Gaps

2.5.1 Methodological Gap

A study by Barro and McCleary (2003) takes three religious variables – monthly church attendance, belief in hell, and belief in heaven. In order to deal with the isolation of direction of causation from religiosity to economic performance, the estimation relies on instrumental variables suggested by an analysis in which religious activities attendance and individuals” religious beliefs are the dependent variables. The instrumental variables they adopted were the dummy variables of state religion and religious regulation, the composition of religious coherence, and indicator of religious pluralism. This research will use a descriptive research design.

2.5.2 Scope Gap

The role of religion for education and thus economic development was seen in Jewish history, too. (Botticini, 2005) emphasized the transformation of Jewish religion about the year 70 a.d. toward understanding Tora. Each Jew was responsible for teaching his sons to read and understand Jewish rules. By this fact Jews gained the competitive advantage in the form of human capital that could be offered in the market. However, the study was to determine the role of religious beliefs and practices on economic development on the Kenyan
3.0 METHODOLOGY
The study adopted a desktop descriptive research design.

4.0 CONCLUSION AND POLICY IMPLICATION FOR FURTHER STUDY

4.1 Conclusion
Based on the past literature the study concluded that religious beliefs significantly influence economic development on the Kenyan economy. Religious Practices and Objections of Some Religious Groups to the economy were significantly related to the economic development on the Kenyan economy. Religion and religious activities can influence society in two ways. First, religious activities, such as church attendance, are social activities and thus comparable to meetings of football clubs, tennis clubs, scouts, political parties, etc. These meetings can be instruments for establishing networks that could be of use for economic activities in the region and could also be helpful for establishing trading relations with partners from other countries who belong to the same religious group. Such networks can stimulate economic growth.

4.2 Recommendations
This study provides implications for both policy and practice. Based on the study findings the study recommends that Religion and religious activities can influence society in two ways. First, religious activities, such as church attendance, are social activities and thus comparable to meetings of football clubs, tennis clubs, scouts, political parties, etc. These meetings can be instruments for establishing networks that could be of use for economic activities in the region and could also be helpful for establishing trading relations with partners from other countries who belong to the same religious group. Such networks can stimulate economic growth. The study also recommends that governments and religious stakeholder should work hand in hand to formulate policies that will motivate the Kenyan economy.

4.3 Area for Future Studies
The general objective of the study was to determine the role of religious beliefs and practices on economic development on the Kenyan economy. Further studies can study the role of religion on personal financial independence.

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