

Exploring the Relationship between Religion, State, and Economy: A Global Study

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ABSTRACT

Religion plays a crucial role not only in shaping individual and group behavior but also in influencing governance structures and economic performance. Many countries incorporate religion into their constitutions, with some adopting official state religions as the foundation of governance, thereby creating theocratic states. This study aims to explore the relationship between religion and state governance, as well as the relationship between religion and economic performance, based on the classification of countries by religion. The data for this analysis is sourced from the World Bank and the Pew Research Center. It encompasses GDP per capita figures for 133 countries for the years 1990 and 2022, along with estimates of the global population by religion in 2050, derived through a cohort-component technique. A descriptive and comparative approach is utilized to explore the relationship between religion, governance, and the economic performance of these nations. This study finds that countries with an official state religion, supported by strong governance and prudent resource management, tend to achieve better economic outcomes, as evidenced by higher GDP per capita levels. Conversely, countries with weak governance or without clear religious support often experience economic stagnation. The findings recommend the importance of integrating religious values into inclusive and sustainable development policies.

ABSTRAK

Agama memainkan peran penting tidak hanya dalam membentuk perilaku individu dan kelompok tetapi juga dalam memengaruhi struktur pemerintahan dan kinerja ekonomi. Banyak negara memasukkan agama ke dalam konstitusi mereka, dengan beberapa mengadopsi agama resmi negara sebagai dasar pemerintahan, sehingga menciptakan negara teokratis. Studi ini bertujuan untuk mengeksplorasi hubungan antara agama dan tata kelola negara, serta hubungan antara agama dan kinerja ekonomi. Data diambil dari World Bank dan Pew Research Center, yang mencakup data PDB per kapita untuk periode 1990 dan 2022 di 133 negara, serta estimasi populasi global berdasarkan agama pada tahun 2050 melalui teknik komponen-kohort. Data dianalisis dengan pendekatan deskriptif dan komparatif untuk mengkaji hubungan antara agama, tata pemerintahan, dan performa ekonomi negara. Studi ini menemukan bahwa negara-negara dengan agama resmi negara, yang didukung oleh pemerintah yang kuat dan pengelolaan sumber daya yang bijaksana, cenderung mencapai hasil ekonomi yang lebih baik, sebagaimana dibuktikan oleh tingkat PDB per kapita yang tinggi. Sebaliknya, negara-negara dengan pemerintahan yang lemah atau tanpa dukungan agama yang jelas sering mengalami stagnasi ekonomi. Temuan ini merekomendasikan pentingnya mengintegrasikan nilai-nilai agama ke dalam kebijakan pembangunan yang inklusif dan berkelanjutan.

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A. INTRODUCTION

Religion is not only seen as influencing individual and group behavior but also as playing a profound role in shaping the governance systems of nations. The presence of religion has led to the establishment of theocracies,¹ where religious doctrines form the foundation of policies and state decisions.² This influence extends to economic well-being, making the relationship between religion and governance a complex and often controversial issue.³ In various countries, the involvement of religion in governance structures has created tensions that impact pluralism and religious freedom. It is noted that religiously-based states tend to privilege certain religious groups, which can lead to social conflicts and economic instability.⁴ Globally, the role of religion is varied significantly. Secular nations, such as those in Europe, have demonstrated limited religious influence, while countries with predominantly religious populations often utilize religious ideologies as tools of governance.⁵ Moreover, the importance of religious social practices as mediators between the state and its citizens is emphasized⁶, while the influence of religious communities on domestic and global policies, with significant economic implications, is illustrated.⁷

The role of religion in state governance is deeply rooted in its long history as a social institution influencing political legitimacy and stability.⁸ From ancient times to the modern era, religion has often served as a tool for rulers to garner public support and reinforce their legitimacy.⁹ The close relationship between religion and the state creates a complex dynamic, where religion can either act as a stabilizing force for social cohesion or as a source of conflict. In certain contexts, religion functions as a guardian of public morality, shaping collective societal behavior through government-designed policies or religious institutions operating outside formal governance structures.¹⁰

In the economic dimension, religion plays an equally significant role. In some cultures, religious institutions act as key drivers of economic growth, while in others, religious extremism serves as a barrier.¹¹ For instance, in Nigeria, competition among religious groups

¹ Lestari Agusalim, and Muhamad Karim, *Transformasi Ajaran Agama Melawan Krisis Iklim*. Bogor: IPB Press, 2023

² Lestari Agusalim, and Muhamad Karim, "How Religiosity Affect Climate Change? A Cross-Country Analysis." *International Journal of Energy Economics and Policy* 14, no. 1 (2024a): 150-164.

³ Lestari Agusalim, and Muhamad Karim, "Religiosity and Climate Change: An Eco-Religious Approach." *Environmental & Socio-Economic Studies* 12, no. 1 (2024b): 35-50.

⁴ Warren S Goldstein, "On the Religious State, the Secular State, and the Religion-Neutral State." *Critical Research on Religion* 10, no. 1 (2022): 3-6.

⁵ Pavol Minárik, "The Economics of Religion in a Globalizing World: Communist China and Post-Communist Central Europe." In *SHS Web of Conferences*, vol. 92, p. 07041. EDP Sciences, 2021.

⁶ Philipp Öhlmann, "Diaconia and Development: The Study of Religious Social Practice as Lead Discipline in the Religion and Development Debate." *Religions* 14, no. 8 (2023): 1032.

⁷ Ahmet Erdi Öztürk, and Bahar Baser, "The Transnational Politics of Religion: Turkey's Diyanet, Islamic Communities and Beyond." In *Theoretical Approaches to Turkish Foreign Policy*, pp. 57-77. Routledge, 2023.

⁸ Cristina Del-Castillo-Feito, Gabriel Cachón-Rodríguez, and Iria Paz-Gil, "Political Disaffection, Sociodemographic, and Psychographic Variables as State Legitimacy Determinants in the European Union." *American Behavioral Scientist* 66, no. 1 (2022): 86-105.

⁹ Alicia Blanco-González, Giorgia Miotto, and Francisco Díez-Martín, "Politics and Regionality: Does Region of Residence Affect the State's Legitimacy?." *American Behavioral Scientist* 65, no. 3 (2021): 465-481.

¹⁰ Metin M. Coşgel, Richard N. Langlois, and Thomas J. Miceli, "Identity, Religion, and the State: The Origin of Theocracy." *Journal of Economic Behavior & Organization* 179 (2020): 608-622.

¹¹ Ben-Willie Kwaku Golo, and Ernestina Novieto, "Religion and Sustainable Development in Africa: Neo-Pentecostal Economies in Perspectiv." *Religion and Development* 1, no. 1 (2022): 73-95.

for followers has been shown to directly influence economic participation.¹² Globalization has further amplified this dynamic, presenting both challenges and opportunities in the relationship between religion and the economy. It is noted that globalization not only reshapes how religion interacts with economic systems but also prompts a reevaluation of religion's role in global economic policymaking.¹³ From a historical perspective, religion was highlighted as fostering work ethics and values such as honesty and frugality, which form the foundation of modern capitalism.¹⁴ However, contemporary studies reveal a contrasting view, showing that high levels of religiosity in certain societies can hinder economic development, indicating that religion is a complex factor influencing economic dynamics.¹⁵

Religion's influence on the economy also encompasses cultural and institutional roles that shape public policy and economic practices. Religion can be a significant cultural factor in driving economic growth, particularly through social norms that encourage hard work and efficiency.¹⁶ This perspective is further supported by the emphasis on the long-term impact of historical and cultural factors, including religion, on productivity and per capita income.¹⁷ Thus, religion not only provides a moral framework for individuals but also serves as a structural force that shapes the economic dynamics of a nation.

Despite this, there remains a gap in research investigating the holistic relationship between religion, state, and economy. Existing literature often treats religion and the state as separate entities, thereby overlooking the role of religion in shaping public policy and economic outcomes.¹⁸ The importance of legitimacy in the relationship between the state and religious institutions is emphasized, while the call for integrating religious beliefs into development processes, particularly in regions like Africa, where religion plays a central role in social and economic life.¹⁹ This study tries to bridge that gap by combining historical, social, and economic analyses to understand how religion contributes to or hinders economic growth and influences social stability and state policies.

Furthermore, globalization has added a new dimension to the interaction between religion, state, and economy. This process has created an environment where religion operates not only within local contexts but also plays a significant role on the international stage. Religious communities often transcend national boundaries to influence foreign policies, thereby affecting global economic relations.²⁰ For example, some transnational religious organizations contribute to economic development through social welfare programs while simultaneously facing challenges in navigating the complexities of global politics and economics. In this context, religion transcends its traditional role as a belief system and becomes a significant actor in global dynamics.

¹² Peter O.O. Ottuh, and Eboh Akpotor, "Analysis of religious economy and its participation rates in Nigeria." *KIU Interdisciplinary Journal of Humanities and Social Sciences* 2, no. 1 (2021): 240-261.

¹³ Yusuf, "The Role of Pancasila in View from the Sociology of Religion in the Globalisation Era." *Journal of Business Social and Technology* 4, no. 1 (2023): 87-97.

¹⁴ Max Weber, *The Protestant Ethic and the Spirit of Capitalism*. London: Unwin University Books, 1905.

¹⁵ Luke Petach, and Aiden Powell, "Religion and Economic Growth: Evidence from US Counties." *Review of Regional Studies* 53, no. 2 (2023): 192-210.

¹⁶ Robert J. Barro, and Rachel M. McCleary, *The Wealth of Religions: The Political Economy of Believing and Belonging*. New Jersey: Princeton University Press, 2021.

¹⁷ Enrico Spolaore, and Romain Wacziarg, "How Deep are the Roots of Economic Development?." *Journal of Economic Literature* 51, no. 2 (2013): 325-369.

¹⁸ Coşgel et. al., (2020)

¹⁹ Golo and Novieto, (2022)

²⁰ Öztürk and Baser, 2023

The relationship between religion, state, and economy remains an area of research that requires further attention.²¹ Although several studies have examined the influence of religion on state policies and economic outcomes, there is a lack of comprehensive research that connects these three dimensions in a holistic manner.²² For instance, how religious doctrines shape state policies has been explored,²³ but the effect of these policies on the economic conditions of different societal groups has not been addressed. Similarly, favoritism towards certain religious groups within theocratic states has been highlighted,²⁴ yet the economic impact of such favoritism remains underexplored. This gap is particularly pronounced in regions where religion plays a dominant role in governance, as noted,²⁵ who advocate for the integration of religious beliefs into development processes.

Furthermore, while the influence of religious communities on policymaking has been examined, they fail to explore how these policies translate into economic outcomes, particularly in diverse socio-economic contexts. Another underexplored factor is the impact of globalization on this relationship, despite the significant role of transnational religious organizations in the global economy, as pointed out.²⁶ Globalization reshapes the interaction between religion and economic systems, a dynamic highlighted,²⁷ suggesting that this area warrants further investigation. The contradiction between Weber's perspective on religion fostering work ethics and Petach's findings that high levels of religiosity may hinder economic development underscores the need for a deeper understanding of how religion influences economic behavior across different countries.

Based on this background, the author is interested in conducting a deeper study on the complexity of the relationship between religion, governance, and economic performance. The fact that some countries with an official state religion tend to achieve better economic outcomes, while others do not, raises important questions about how religion and governance interact within the context of economic development. Therefore, this study aims to explore how the relationship between religion and governance systems can contribute to better economic performance.

B. METHODS

This study adopts library research and descriptive comparative methods²⁸ with a quantitative approach²⁹ to investigate the relationship between the structure of state religion and economic indicators,³⁰ particularly GDP per capita.³¹ Empirically, the study relies on

²¹ Agusalim and Karim, 2023

²² Agusalim and Karim, (2024a)

²³ Agusalim, and Muhamad Karim, (2024b)

²⁴ Goldstein, (2022)

²⁵ Golo and Novieto, (2022)

²⁶ Öztürk and Baser, 2023.

²⁷ Yusuf, (2023).

²⁸ Umesh Kumar B. Dubey, and Dwarkadas Pralhaddas Kothari, *Research Methodology: Techniques and Trends*. Boca Raton: Chapman and Hall/CRC, 2022.

²⁹ Patrick XW Zou, and Xiaoxiao Xu, *Research Methodology and Strategy: Theory and Practice*. New Jersey: John Wiley & Sons, 2023.

³⁰ Robert J. Barro, and Rachel M. McCleary, "Religion and Economic Growth Across Countries." *American Sociological Review* 68, no. 5 (2003a): 760-781.

³¹ Katayoun Kishi, Alan Cooperman, Gregiry A. Smith, Samirah Majumdar, Juan Carlos Esparza Ochoa, Becka A. Alper, Jonathan Evans, *Many Countries Favor Specific Religions, Officially or Unofficially*. Washington, DC: Pew Research Center, 2017.

secondary data obtained from two primary sources, namely the World Bank, which provides GDP per capita data for the years 1990 and 2022,³² and the Pew Research Center, which estimates the global population by religion for the year 2050.³³ The study covers 133 countries categorized into four main groups based on their relationship with state religion: 29 countries with an official state religion, 28 countries with a preferred or favored state religion, 71 countries with no official or favored religion, and five countries with a hostile relationship with religious institutions.³⁴ Through this categorization, a descriptive comparative analysis of economic performance among these groups of countries can be conducted.

To achieve its objectives, this study applies both descriptive³⁵ and comparative approaches.³⁶ Descriptive analysis provides a detailed overview of the existing literature, identifying relevant patterns, trends, and themes. Additionally, case studies from various countries are used to illustrate how religion interacts with governance systems and economic frameworks. The comparative approach enables a deeper examination of the differences and similarities in how religion influences public policy and economic outcomes in various cultural contexts. Data collection uses secondary sources, and the descriptive analysis technique is employed to systematically organize, describe, and classify the data objectively, supplemented by empirical findings from other relevant studies.³⁷ With this methodology, the study aims to provide a comprehensive understanding of the role of religion in global dynamics, while encouraging a deeper evaluation of the complex relationship between religion, state, and economy in shaping the modern world.

C. RESULTS AND DISCUSSION

1. Religion and State Relations

Scholars have yet to reach a consensus on the definition of religion.³⁸ According to the Oxford Dictionary, religion is defined as a belief in the existence of a god or gods,³⁹ and activities related to worship or teachings of a spiritual leader.⁴⁰ International references to the definition of religion can be found in the works of scholars.⁴¹

In recent decades, theocratic principles of governance have gained substantial public support worldwide.⁴² The transition from a balance of conditional tolerance—where weak state capacity allows different religious groups to coexist under a system of identity-based religious rules—to a balance of religious tolerance, where strong states implement secular

³² World Bank. "GDP per capita, PPP (constant 2017 international \$), 1990 and 2022." *World Bank Data*. Accessed Januari 09, 2025. <https://data.worldbank.org/indicator/NY.GDP.PCAP.PP.KD>.

³³ Conrad Hackett, Phillip Connor, Marcin Stonawski, and Vegard Skirbekk, *The Future of World Religions: Population Growth Projections, 2010-2050*. Washington, DC: Pew Research Center, 2015.

³⁴ Kishi et. al., 2017.

³⁵ Kumar et al., 2022.

³⁶ Zou and Xu et al., 2023.

³⁷ Herman Aguinis, *Research Methodology: Best Practices for Rigorous, Credible, and Impactful Research*. Thousand Oaks: Sage Publication, 2024.

³⁸ Clifford Geertz, *The Interpretation of Cultures*. New York: Basic Books Inc, 1973.

³⁹ Emile Durkheim, *The Elementary Forms of Religious Life*. New York: Free Press, 1912.

⁴⁰ John Morreall, and Tamara Sonn, *Myth 1: All Societies Have Religions*. In *50 Great Myths of Religion*. Hoboken: Wiley-Blackwell, 2014.

⁴¹ Brent Nongbri, *Before Religion: A History of a Modern Concept*. New Haven: Yale University Press, 2013.

⁴² Ran Hirschl, "Theocracy." In *Routledge Handbook of Illiberalism*, pp. 152-163. Milton Park: Routledge, 2021.

universal rules without relying on religion for legitimacy, has been described.⁴³ This implies that religious legitimacy and high state capacity act as substitutes for one another. An alternative possibility, where religious legitimacy and strong states complement each other, with religion and high state capacity collaborating to extract resources from citizens, has been explored.⁴⁴ The result is a balance of universal religious and secular rules, where strong state capacity and religion mutually reinforce each other. In the modern era, the application of universal rules systematically differs between societies where strong state capacity complements rather than substitutes for religion.

The relationship between religion and the state was successfully mapped. In this study, constitutions or foundational laws from various countries, along with official policies and actions toward religious groups, were analyzed to classify the relationship between religion and the state into four categories. The first category consists of countries with an official state religion, where a particular religion is granted official status in constitutions or fundamental laws. While these states do not always provide exclusive benefits to the state religion, they often offer support in various ways.⁴⁵ Although religion serves as the foundation of the constitution, some countries with an official state religion also implement pseudo-religion, where religious doctrines function more as a political tool rather than a genuinely practiced moral guideline.⁴⁶ In this system, religion is utilized to legitimize power, maintain governmental stability, and construct a national identity that benefits the ruling authorities.⁴⁷ Consequently, religious practices in politics often prioritize the interests of the ruling elite over the actual religious values.⁴⁸

The second category includes countries that favor a specific religion. These states have explicit policies or actions that clearly support one (or, in some cases, multiple) religions over others, often through legal, financial, or other practical advantages. While these states may or may not identify a preferred religion in their constitutions, references to "traditional" or "historical" religions are common, though not as official state religions. Despite constitutional calls for religious freedom, these countries often fail to treat all religions equally in practice.

The third category consists of countries without an official or preferred religion. These nations strive to avoid providing significant advantages to any specific religious group, although they may extend benefits to multiple religious organizations. For example, the United States offers tax exemptions to religious organizations under rules that apply equally to all denominations. Many countries in this category have constitutional language promoting religious freedom, but their inclusion depends on demonstrating neutrality in systematically supporting any religion.

The fourth category includes countries with a hostile relationship with religion. These states exercise high levels of control over religious institutions or adopt aggressive stances against religion in general. While some of these nations may proclaim religious freedom in

⁴³ Noel D. Johnson, and Mark Koyama, *Persecution & Toleration: The Long Road to Religious Freedom*. Cambridge: Cambridge University Press, 2019.

⁴⁴ Coşgel et. al., (2020).

⁴⁵ Kishi et. al., 2017.

⁴⁶ Galen Watts, and Dick Houtman. "Introduction: Spirituality—Privatized Pseudo-Religion?." In *The Shape of Spirituality*, pp. 1-38. Columbia University Press, 2024.

⁴⁷ Tamás Nyirkos, "The Concept of "Political Religion:" A Historical Overview." *Politica e Religione* (2024): 169-194.

⁴⁸ Sára Eszter Heidl, "Religionesque: A Term for Dealing with Contemporary Alternative Religious Forms in Empirical Studies." *Spirituality Studies* 9, no. 2 (2023): 18-27.

their constitutions or have leaders who identify with particular faiths, their policies often reflect significant restrictions or opposition to religious practices.

Table 1 illustrates the relationship between religion and governance systems across different countries. It shows that there are 43 countries with an official state religion, including 27 Islamic countries, 13 Christian countries, two Buddhist countries, and one Jewish state. Additionally, 40 countries have a preference for specific religions, comprising 28 Christian countries, four Buddhist countries, three Islamic countries, and five countries that favor multiple religions. Furthermore, there are 106 secular states and 10 countries characterized by a hostile relationship with religion.

Table 1. Relationships between Religion and Government by Country

Form of Government	Religion	Country
Official state religion (43)	Islam (27)	Afghanistan, Algeria*, Bahrain*, Bangladesh*, Brunei, Comoros, Djibouti, Egypt*, Iran*, Iraq*, Jordan*, Kuwait*, Libya, Malaysia*, Maldives*, Mauritania*, Morocco*, Oman, Pakistan*, Palestine, Qatar*, Saudi Arabia*, Somalia, Tunisia*, United Arab Emirates*, Western Sahara, Yemen.
	Christianity (13)	Armenia*, Costa Rica*, Denmark*, Dominican Republic*, Greece*, Iceland*, Liechtenstein, Malta*, Monaco, Norway*, Tuvalu, United Kingdom*, Zambia*.
	Buddhism (2)	Bhutan, Cambodia*.
	Judaism (1)	Israel*.
Preferred or favored state religions (40)	Islam (3)	Sudan*, Syria, Turkey*.
	Christianity (28)	Andorra, Angola*, Argentina*, Belarus, Bulgaria*, Cape Verde, Equatorial Guinea, Eswatini*. Finland*, Georgia, Guatemala*, Haiti*, Honduras*, Italy*, Liberia, Moldova*, Nicaragua*, Panama*, Papua New Guinea, Paraguay*, Peru*, Poland*, North Macedonia, Romania*, Russia*, Samoa, Spain*, Tonga.
	Buddhism (4)	Myanmar*, Laos PDR*, Mongolia*, Sri Lanka*.
Multiple religions (5)		Eritrea, Indonesia*, Lithuania*, Serbia*, Togo*.
No official or preferred religion (106)	-	Albania*, Antigua and Barbuda, Australia*, Austria*, Bahamas, Barbados*, Belgium*, Belize, Benin*, Bolivia*, Bosnia-Herzegovina, Botswana*, Brazil*, Burkina Faso*, Burundi*, Cameroon*, Canada*, Central African Republic*, Chad, Chile*, Colombia*, Croatia*, Cyprus*, Czech Republic*, Democratic Republic of Congo*, Dominica, Ecuador*, El Salvador*, Estonia*, Ethiopia*, Federated States of Micronesia, Fiji*, France*, Gabon*, Gambia*, Germany*, Ghana*, Grenada, Guinea, Guinea-Bissau, Guyana*,

Form of Government	Religion	Country
		Hong Kong, Hungary*, India*, Ireland*, Ivory Coast, Jamaica*, Japan*, Kenya*, Kiribati, Kosovo, Latvia*, Lebanon, Lesotho*, Luxembourg*, Macau, Madagascar*, Malawi, Mali*, Marshall Islands, Mauritius*, Mexico*, Montenegro, Mozambique*, Namibia*, Nauru, Nepal*, Netherlands*, New Zealand*, Niger*, Nigeria*, Palau, Philippines*, Portugal*, Republic of Congo*, Rwanda*, San Marino, São Tomé and Príncipe, Senegal*, Seychelles, Sierra Leone*, Singapore*, Slovakia, Slovenia*, Solomon Islands, South Africa*, South Korea*, South Sudan, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, Sweden*, Switzerland*, Taiwan, Tanzania*, Thailand*, Timor-Leste, Trinidad and Tobago, Uganda*, Ukraine*, United States*, Uruguay*, Vanuatu, Venezuela*, Zimbabwe*.
Hostile relationship with religious institutions (10)	-	Azerbaijan, China*, Cuba, Kazakhstan*, Kyrgyzstan Rep*, North Korea, Tajikistan*, Turkmenistan, Uzbekistan, Vietnam*.

Note: Countries marked with (*) are those for which GDP per capita data (PPP, in constant 2017 international dollars) is available in the World Bank for the years 1990 and 2022. These countries are included in the further analysis of this study (133 countries).

Globally, at least eight out of ten people identify with a religion. A comprehensive demographic study covering over 240 countries and territories collaboration with the Pew Research Center (PRC) on religion and public life, estimated that by 2050, 8.08 billion adults and children worldwide were affiliated with a religion, representing 86.78% of the global population.⁴⁹ Christians constitute the largest religious group with a population of 2.92 billion people, accounting for 31.35% of the global population. Muslims follow with 2.76 billion adherents or 29.67%. Hindus comprise 1.38 billion people or 14.87% of the global population. Buddhists number 486.27 million, representing 5.22% of the global total, while Jews account for 16.09 million people or 0.17%. Additionally, 449.14 million people, or 4.83% of the population, practice various folk or traditional religions, including African traditional religions, Chinese folk religions, Native American religions, and Aboriginal Australian faiths. Approximately 61.45 million people, or 0.66% of the global population, follow other religions, such as Baha'i, Jainism, Sikhism, Shinto, Taoism, Tenrikyo, Wicca, and Zoroastrianism, among others (see Figure 1).

At the same time, around one in seven people worldwide (1.23 billion or 13.22% of the global population) are unaffiliated with any religion. This group includes atheists, agnostics, and those who do not identify with any specific religious belief. Surveys indicate that many

⁴⁹ Hackett et. al., 2015.

among the unaffiliated hold some religious or spiritual beliefs, such as faith in God or a universal spirit, despite not associating themselves with any particular religion.

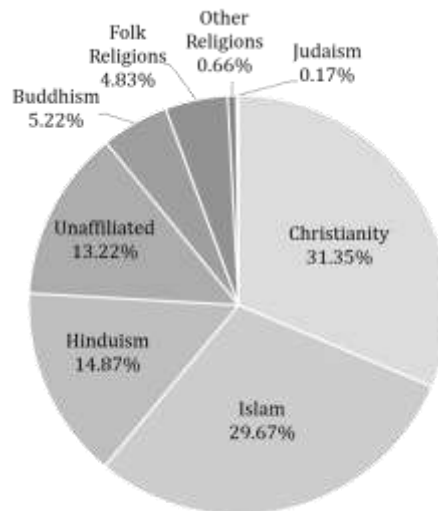


Figure 1. Estimated World Population by Religion in 2050

Based on Figure 1, over the next three decades, Christianity will remain the largest religious group, but Islam is projected to grow the fastest, with the number of Muslims expected to nearly equal that of Christians by 2050. Meanwhile, although the number of religiously unaffiliated individuals is increasing, their proportion within the global population is expected to decline. The Buddhist population is projected to remain stable, while Hindu and Jewish populations will experience growth. These demographic projections by the Pew Research Center take into account factors such as the size and geographic distribution of religious groups, age differences, birth and death rates, international migration, and patterns of religious conversion.⁵⁰

2. Theocratic State and Economy Relations

Linking religion to economics is far from straightforward. There is considerable debate and controversy regarding the impact of religion on economic outcomes and the causal relationship between the two. Different religions bring distinct political preferences, which in turn create economic disparities. These differences often introduce new challenges for the analysis of economic policy. Religion frequently plays both implicit and explicit roles in economic policymaking.⁵¹

Religion has historically played a significant role in shaping scientific, technological, and economic progress in both the Western and Eastern worlds. During the Enlightenment in the Western world, the belief that religion hindered social and economic progress gained popularity.⁵² It was argued that religion functioned as a form of opium, creating a false consciousness that weakened resistance to oppression and efforts to escape poverty. In contrast, another perspective emerged, suggesting that religion, particularly Protestantism, played a key role in the rise of capitalism in the West.⁵³ This view attributed the development

⁵⁰ Hackett et. al., 2015.

⁵¹ Christoph Basten, and Frank Betz, "Beyond work ethic: Religion, Individual, and Political Preferences." *American Economic Journal: Economic Policy* 5, no. 3 (2013): 67-91.

⁵² Karl Marx. "Contribution to the Critique of Hegel's Philosophy of Right." *Sociology and Religion* 7, no. 10 (1995): 3-4.

⁵³ Weber, 1905.

of capitalism to religious ethics, which helped foster modern economic societies. It was believed that religion promoted economic growth by instilling virtues such as a strong work ethic, honesty, and frugality. The work ethic in question was closely linked to the motivation to succeed in this life, as a way of demonstrating one's success in the afterlife. This work ethic emphasized hard work, reducing consumption, and prioritizing the accumulation and reinvestment of profits. It was considered the most significant factor driving the emergence of modern capitalism.

Weber's argument faced significant criticism from many scholars for claiming that the Protestant ethic was the primary factor behind the rise of capitalism in Europe, while suggesting that the central ethics of Oriental religions did not support capitalist development in Asia. Critics raised several key points:⁵⁴ (1) that it was not Protestantism, but Catholicism or Judaism, that played a crucial role in the development of capitalism; (2) that the relationship between capitalism and religion was viewed through a biased lens, with Protestant ethics seen as a product of capitalist thought rather than its catalyst; (3) that there is no direct connection between religion and economic behavior, and the emergence of capitalism could be explained without referencing religion; and (4) that religion did not contribute to economic growth at all.

Meanwhile, in the Eastern world, religion is deeply intertwined with philosophy, significantly influencing various dimensions of human existence, including education, governance, and sociocultural frameworks. During the Islamic Golden Age, Muslim scholars made remarkable advancements across a multitude of disciplines such as mathematics, astronomy, and medicine, often driven by religious imperatives. Religious doctrine-based trade networks not only stimulated economic growth but also accelerated cultural exchange and the proliferation of scientific knowledge. Furthermore, religious pilgrimages and celebrations served as channels that united diverse civilizations, thereby facilitating substantive intellectual dialogue.⁵⁵ Empirical studies indicate that the Islamic education system has a favorable impact on the behavioral patterns of Muslim societies, thereby contributing to sustainable economic development within Muslim-majority nations.⁵⁶ Additionally, scientific research underscores the significance of social capital in the economic dynamics of the Muslim world, highlighting that social capital plays a crucial role in fostering economic progress.⁵⁷

Islamic thinkers such as Ibn Khaldun hold a reputation comparable to Western intellectuals in discussions of economic progress, emphasizing the significance of labor, social functions, and moral values in economic development.⁵⁸ Additionally, Muhammad Baqir al-Sadr, a prominent Islamic intellectual, explored the relationship between Islam and economic advancement, offering an alternative perspective distinct from Western theorists. He

⁵⁴ M. S. A. Rao, "Religion and Economic Development." *Sociological bulletin* 18, no. 1 (1969): 1-15.

⁵⁵ Suci Kirani Adhistia, Ellya Roza, and Perisi Nopel, "The Title of the Growth of New Dynasties in Spain Maghrib and Iran." *Education Achievement: Journal of Science and Research* 5, no. 2 (2024): 221-231.

⁵⁶ Faruq Umar Quadri, Oluwaseun Oladeji Olaniyi, and Olugbenga Olaposi Olaoye, "Interplay of Islam and economic growth: Unveiling the long-run dynamics in Muslim and Non-Muslim countries." *Asian Journal of Education and Social Studies* 49, no. 4 (2023): 483-498.

⁵⁷ Muhammad Tariq Majeed, "Social capital and economic performance of the Muslim world: Islamic perspectives and empirical evidence." *International Journal of Islamic and Middle Eastern Finance and Management* 12, no. 4 (2019): 601-622.

⁵⁸ Tubagus Thresna Irijanto, Mohd Azlan Shah, and Abdul Ghafar Ismail, "The Thoughts of Economic Growth Theories of Classical Muslim Scholars, A Contribution." *TRIKONOMIKA* 12, no. 2 (2013): 168-189.

underscored Islamic principles as the foundation for successful business practices, demonstrating that the Islamic economic system can compete on a global scale. Al-Sadr's reputation in the Islamic world is highly influential, and his ideas contribute significantly to the discourse on integrating Islamic principles with modern economic frameworks.⁵⁹ These scholarly contributions highlight the fundamental role of Islamic principles in fostering effective business methodologies, illustrating that the Islamic economic framework possesses the capacity to compete internationally. Islamic ethical values also significantly shape economic requirements by establishing connections between political and economic institutions, promoting behaviors aligned with Islamic teachings, such as fair trade practices. The methodological differences between Middle Eastern and Western European economic systems illustrate how Islamic principles can create a distinctive economic landscape. The emphasis on human capital development through education enhances the demand for skilled labor and innovation, while socioeconomic variables such as wealth distribution and social equity influence consumer behavior, fostering ethical consumption practices that resonate with religious beliefs. Collectively, these elements shape a distinctive economic environment informed by Islamic values.⁶⁰

The clash between Marx's critique of religion and scholars who support religion findings raises an important question: Have certain religions promoted or hindered economic welfare⁶¹ by motivating their followers to a greater or lesser extent than others? Are different religions equally capable of supporting capitalist development and fostering attitudes that promote economic growth based on their theological and ethical foundations? It has been argued that all major religions contain mechanisms that encourage hard work and wealth accumulation,⁶² contributing to economic success.⁶³ Values such as private property, free markets, cooperation, tolerance, trust in government and legal systems, and non-destructive competition are universally upheld by the world's major religions, indicating their potential to positively influence economic growth.

Several economic studies have explored the relationship between religion and economic performance.^{64,65,66,67,68} One of the key measures for assessing a country's economic progress is its Gross Domestic Product (GDP) and GDP per capita.⁶⁹ Recent research highlights several key factors influencing economic growth, including GDP per capita, human capital, savings

⁵⁹ Ahmed Fernanda Desky, "The Controversy of Muhammad Baqir Ash-Sadr's Thoughts (Eastern Capitalist) with the Thoughts of Karl Marx and Max Weber (Western Capitalists) in the Context of Global Islamic Economic System." *International Journal Ihya'Ulum al-Din* 24, no. 1 (2022): 15-30.

⁶⁰ Sascha O. Becker, Jared Rubin, and Ludger Woessmann. "Religion in Economic History: A Survey." *The handbook of Historical Economics* (2021): 585-639.

⁶¹ Robert J. Barro, and Rachel M. McCleary, "International Determinants of Religiosity (No. 10147)." *National Bureau of Economic Research, Inc.* (2003b).

⁶² Barro and McCleary, 2021.

⁶³ Rachel M. McCleary, and Robert J. Barro, "Religion and Political Economy in an International Panel." *Journal for the Scientific Study of Religion* 45, no. 2 (2006): 149-175.

⁶⁴ Sascha O. Becker, Jared Rubin, and Ludger Woessmann, "Religion in Economic History: A Survey." *The handbook of historical economics* (2021): 585-639.

⁶⁵ Barro and McCleary, 2021.

⁶⁶ Laura Mayoral, and Joan Esteban, "Religiosity and Economic Performance: The Role of Personal Liberties." In *Advances in the Economics of Religion*, pp. 405-422. Cham: Springer International Publishing, 2019.

⁶⁷ Mehmet Karaçuka, "Religion and Economic Development in History: Institutions and the Role of Religious Networks." *Journal of Economic Issues* 52, no. 1 (2018): 57-79.

⁶⁸ Marcus Noland, "Religion and Economic Performance." *World development* 33, no. 8 (2005): 1215-1232.

⁶⁹ David Romer, *Advanced Macroeconomics (Fifth Edition)*. New York: McGraw-Hill/Irwin, 2019.

rates, trade openness, government spending, political and institutional environments, and the rule of law. It is argued that explaining economic growth requires a broader perspective that includes not only economic, social, and political factors but also cultural aspects.⁷⁰

Religion has the potential to influence economic growth within societies. Religions that promote values such as a strong work ethic, education, and financial management often contribute positively to economic development. Religious beliefs can motivate individuals to invest more in education, work harder, and manage their finances wisely, making religion a significant factor in building human capital and advancing economic progress. Additionally, individual and group religious beliefs can shape perspectives on policies such as taxation, government spending, and the role of the state in the economy. This suggests that religion can impact the direction of a country's economic policies. These insights highlight how religion not only affects individual economic behavior but also influences government policies, ultimately impacting societal economic welfare.⁷¹

Religion is a vital component of culture, a perspective that aligns with the view that a stronger belief in the concept of hell motivates individuals to act morally, encouraging behaviors such as hard work, saving, and honesty, which in turn contribute to economic growth. Similarly, replacing belief in hell with belief in heaven produces comparable results.⁷² Religion has historically played a significant role in driving economic growth and national development.⁷³ Recent literature highlights the long-term effects of geographical, historical, and cultural factors, including religion, on productivity and per capita income. These long-term factors have been substantially shaped by religion throughout history.⁷⁴

Contemporary research presents conflicting findings, highlighting the complexity of the relationship between religion and economics. Religion is described as a sensitive topic that requires careful examination when analyzing its connection to economic variables. Some studies suggest that religiosity levels do not significantly impact economic growth, contrasting with earlier findings that used a different time frame.⁷⁵ Further research revisited the relationship between religious diversity and economic growth,⁷⁶ finding it to be insignificant in some cases. However, newer data indicate that religious fragmentation and polarization can significantly influence economic growth, demonstrating the nuanced interplay between religion and economic outcomes.

In line with these findings, other research also tested previous conclusions by using similar datasets and replicating earlier results.⁷⁷ These studies found no strong evidence suggesting that religiosity is quantitatively significant for economic growth. Specifically, there was no direct correlation between religious beliefs—such as belief in heaven or hell—and economic growth. One consistent result from earlier research indicated that frequent attendance at places of worship might negatively impact growth. In contrast, other studies

⁷⁰ Barro and McCleary, 2021.

⁷¹ Barro and McCleary, 2021.

⁷² Weber, 1905.

⁷³ Robert H. Nelson, "Bringing Religion into Economic Policy Analysis." *Regulation* 37 (2014): 52.

⁷⁴ Spolaore and Wacziarg, (2013).

⁷⁵ Wonsub Eum. *Religion and Economic Development - A Study on Religious Variables Influencing GDP Growth Over Countries*. Berkeley: University of California, 2011.

⁷⁶ Jose G. Montalvo, and Marta Reynal-Querol, "Religious Polarization and Economic Development." *Economics Letters* 80, no. 2 (2003): 201-210.

⁷⁷ Steven N. Durlauf, Andros Kourtellos, and Chih Ming Tan, "Is God in the Details? A Reexamination of the Role of Religion in Economic Growth." *Journal of Applied Econometrics* 27, no. 7 (2012): 1059-1075.

observed that participation in religious activities, such as church attendance, does not have a measurable effect on economic growth.⁷⁸

A study conducted in Indonesia explored the influence of religion, using the number of religious institutions (places of worship) as a proxy, on economic growth. The results showed that the number of Protestant and Hindu religious institutions had a significant impact on economic growth. However, there was no strong evidence that the number of Islamic or Catholic institutions contributed notably to growth.⁷⁹ These findings are similar to a study in China, where the number of religious institutions was also used as a proxy for religion. In that case, Islamic and Buddhist institutions were found to have a negative and significant effect on economic growth. Both studies suggest the need for alternative proxies to better understand the relationship between religion and the economy.⁸⁰ Additionally, research has shown that the importance people place on religion in their lives positively influences economic growth, further adding complexity to this relationship.⁸¹

Religion can influence economic performance through the networks created by small religious groups. These groups form social networks that help individuals enforce non-formal contracts. From an institutional perspective, such religious groups can generate social capital by promoting cooperation and lowering transaction costs. The interaction between institutions and organizations is thought to drive institutional evolution and economic performance. Religions with communal organizational structures, unlike hierarchical ones, allow for the coexistence of multiple denominational sub-communities within a society, which can foster development and growth. These institutions not only improve the efficiency of resource allocation and production but also enhance adaptive efficiency, which is vital for long-term growth. However, the positive effects may shift to negative if these institutions lead to hostility or exclusion among different groups.⁸²

The relationship between religion and economic growth is reciprocal.⁸³ On one hand, religion serves as a driving force for economic activity and reflects the transformation of societal structures and economies. On the other hand, religion itself evolves under the influence of social and economic development. Religion's impact on development involves motivational and institutional factors, both of which are critical to a nation's progress. From a motivational perspective, economic growth is driven by the economic ethics promoted by religion, which encourage entrepreneurial activity and the accumulation of wealth.^{84,85} These ethics inspire individuals not only to work and save but also to invest their earnings in productive endeavors. Religion also influences institutional factors, affecting culture,

⁷⁸ Tiago Neves Sequeira, Ricardo Viegas, and Alexandra Ferreira-Lopes, "Income and Religion: A Heterogeneous Panel Data Analysis." *Review of Social Economy* 75, no. 2 (2017): 139-158.

⁷⁹ Listiono, "The Impact of Religious Institutions on Economic Growth in Indonesia: Evidence from Selected Province." *Afkaruna: Indonesian Interdisciplinary Journal of Islamic Studies* 16, no. 1 (2020): 40-57.

⁸⁰ Qunyong Wang, and Xinyu Lin, "Does Religious Beliefs Affect Economic Growth? Evidence from Provincial-Level Panel Data in China." *China Economic Review* 31 (2014): 277-287.

⁸¹ Richard S. Ramoutar, "Do Culture and Religion Matter to Economic Growth?" *Research in Economics and Management*, 7, no. 2 (2022): 16-28.

⁸² Karaçuka, (2018).

⁸³ Ellen H. Palanca, "Religion and economic development." *Philippine studies* (1986): 162-180.

⁸⁴ Hamdi Khalfaoui, and Hassan Guenichi. "Does Islam promote growth: evidence from Arab Muslim countries and non-Arab Muslim countries." *International Journal of Law and Management* 64, no. 2 (2022): 206-224.

⁸⁵ Weber, 1905.

behavior, and changes in social and economic structures, thus playing a significant role in both individual and societal development.^{86,87}

A study examined the long-term relationship between religiosity and income, using attendance at places of worship as an indicator of religiosity. The findings suggest a negative long-term correlation between religiosity levels and income, measured by GDP per capita. The relationship is bidirectional: higher income levels tend to result in lower religiosity, while a decrease in religiosity is linked to higher income levels.⁸⁸

This study employs descriptive and comparative analysis to examine economic development outcomes based on the relationship between religion and the state. Figure 2 illustrates changes in GDP per capita (PPP, in constant 2017 international dollars) between 1990 and 2022, categorized by the type of relationship between religion and governance.⁸⁹ These classifications include states with an official religion, states favoring certain religions, secular states, and states hostile to religious institutions. Over the past 33 years, global per capita income has shown a consistent upward trend. Countries with an official state religion reported the highest GDP per capita, increasing significantly from \$21,742 in 1990 to \$30,580 in 2022. This trend suggests that integrating religious values into governance structures can foster an environment conducive to economic development.

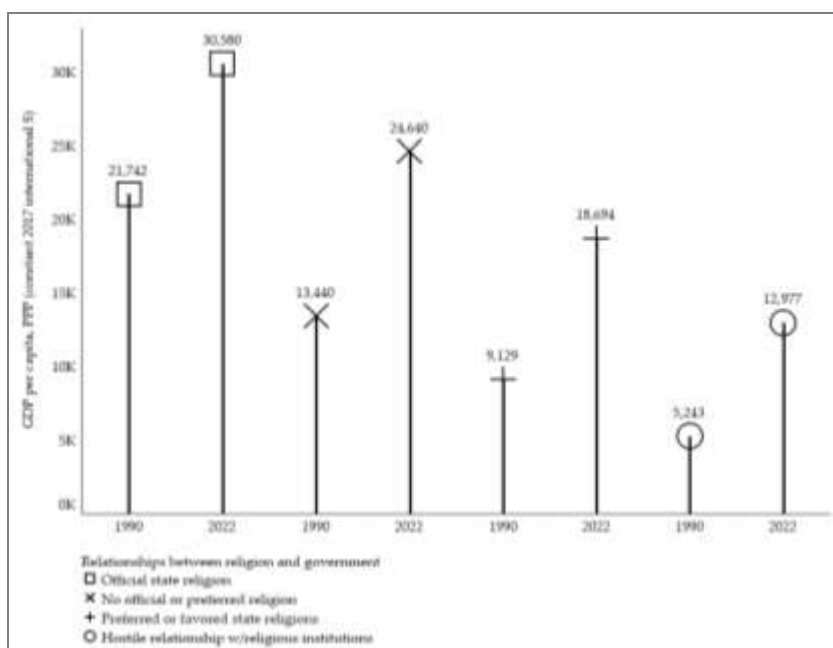


Figure 2. Changes in GDP per Capita Based on Religion-State Relations

Similarly, countries without an official or favored religion demonstrated substantial growth, with GDP per capita rising from \$13,440 in 1990 to \$24,640 in 2022. Countries favoring certain religions experienced moderate growth, with GDP per capita increasing from

⁸⁶ Foyasal Khan, and Mohamed Aslam Haneef. "Religious Responses to Sustainable Development Goals: An Islamic Perspective." *Journal of Islamic Monetary Economics and Finance* 8, no. 2 (2022): 161-180.

⁸⁷ Ilan Alon, Shaomin Li, and Jun Wu. "An Institutional Perspective on Religious Freedom and Economic Growth." *Politics and Religion* 10, no. 3 (2017): 689-716.

⁸⁸ Dierk Herzer, and Holger Struli, "Religiosity and Income: A Panel Cointegration and Causality Analysis." *Applied Economics* 49, no. 30 (2017): 2922-2938.

⁸⁹ Kishi et. al., 2017.

\$9,129 in 1990 to \$18,694 in 2022. Meanwhile, countries with hostile relationships toward religious institutions recorded the lowest GDP per capita, although they also saw significant growth, from \$5,243 in 1990 to \$12,977 in 2022. This data highlights a clear hierarchy in economic performance based on the type of relationship between religion and governance. Countries with official religions consistently outperform others, while those with hostile relationships to religion remain at the bottom. This pattern underscores the impact of governance structures on economic outcomes.

Furthermore, Figure 3 builds on the data presented in Figure 2 by highlighting GDP per capita in 2022 across countries with primary religious affiliations—Jewish, Christian, Muslim, and Buddhist—offering additional insights into the relationship between religion and economic well-being. Countries with official state religions of Judaism reported the highest GDP per capita at \$44,393, followed by countries with Official State Religions of Christianity at \$37,156, countries with official state religions of Islam at \$27,431, and countries with Official State Religions of Buddhism at \$4,534. This economic hierarchy underscores the significant influence of the relationship between religion and governance on economic outcomes.⁹⁰ Countries with more positive interactions between religion and the state tend to achieve higher GDP per capita, as evidenced by countries with official state religions of Judaism and Christianity at the top of the hierarchy. Conversely, countries with official state religions of Buddhism, with the lowest GDP per capita of \$4,534, are often found in contexts where the relationship between religion and governance is less supportive. This suggests that the absence of a positive religion-state relationship may hinder economic development. The disparities in economic performance among religious affiliations highlight the need for further analysis into how governance structures and differing religious contexts influence economic outcomes.⁹¹

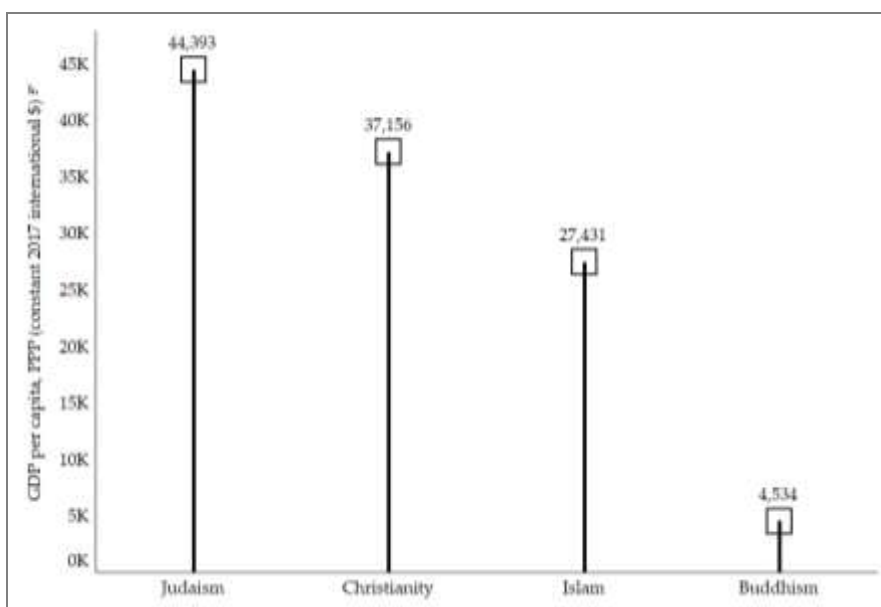


Figure 3. Economic Performance by Official State Religions in 2022

⁹⁰ Matthias Basedau, Simone Gobien, and Sebastian Prediger, "The multidimensional effects of religion on socioeconomic development: A review of the empirical literature." *Journal of Economic Surveys* 32, no. 4 (2018): 1106-1133.

⁹¹ Unbreen Qayyum, Sohail Anjum, and Samina Sabir, "Religion and Economic Development: New Insights." *Empirica* 47 (2020): 793-834.

An analysis of income groups reveals that within high-income countries, those with official state religions of Islam record the highest GDP per capita at \$64,584, followed by countries with Official State Religions of Christianity at \$51,789, and those with official state religions of Judaism at \$44,393 (see Figure 4). This data challenges common perceptions, indicating that countries with official state religions of Islam can achieve substantial economic performance, particularly within higher income brackets.⁹² In upper-middle-income countries, those with official state religions of Christianity lead with a GDP per capita of \$19,155, slightly surpassing countries with official state religions of Islam at \$16,761. Meanwhile, in lower-middle-income countries, countries with official state religions of Islam again outperform, with a GDP per capita of \$8,515, significantly higher than countries with Official State Religions of Buddhism (\$4,534) and those with official state religions of Christianity (\$3,366). These observations highlight that the relationship between a country's official religion and its economic performance can vary significantly depending on its income context. The interplay of structural and historical factors influencing economic outcomes is evident, as nations with supportive governance structures that integrate religious values tend to perform better economically.⁹³ Moreover, disparities among religious affiliations and income groups emphasize the need to analyze how governance, economic policies, and religious contexts interact to shape economic outcomes. Policymakers must account for these dynamics when formulating strategies to enhance economic growth and address inequalities both within and across religious communities.⁹⁴

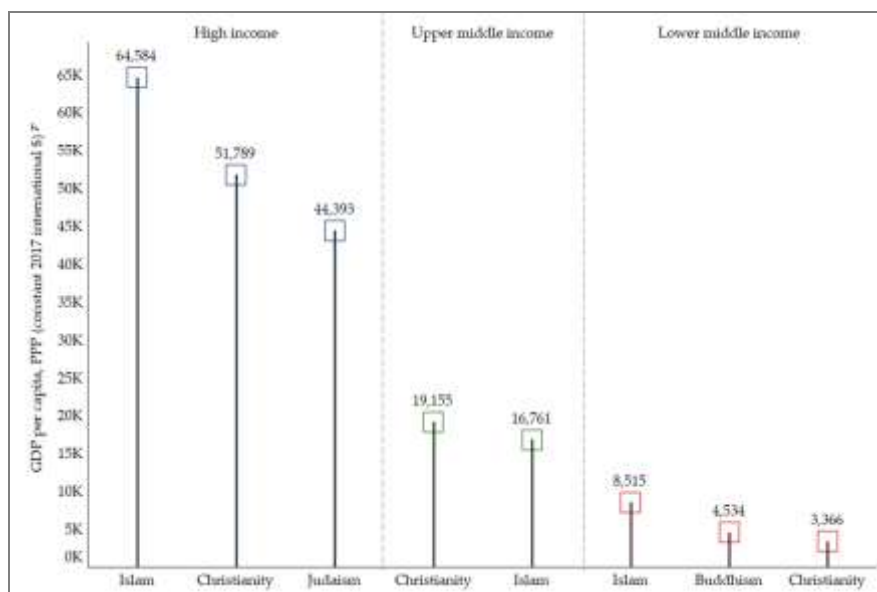


Figure 4. Economic Performance by Income Group and Official State Religions in 2022

Figure 5 provides further details on economic performance based on GDP per capita (PPP) in 2022 for countries with official state religions, complementing the information

⁹² Abrista Devi, "Governance Performance of Muslim and Non-Muslim Countries." *Management and Sustainability* 2, no. 2 (2023): 1-6.

⁹³ Jose Navarro, and Vegard Skirbekk, "Income Inequality and Religion Globally 1970–2050." *Scripta Instituti Donneriani Aboensis* 28 (2018): 175-199.

⁹⁴ Joerg Stolz, and Jean-Claude Usunier, "Religions as brands? Religion and spirituality in consumer society." *Journal of Management, Spirituality & Religion* 16, no. 1 (2019): 6-31.

presented in Figure 4. The data highlights significant variations in economic performance among countries with Islam as the official state religion. Qatar records the highest GDP per capita at \$96,558, followed by the United Arab Emirates at \$74,918, Bahrain at \$51,855, and Saudi Arabia at \$50,188. These figures indicate that some Islamic states have effectively leveraged their natural resources and governance structures to achieve high levels of economic prosperity.⁹⁵ The substantial wealth in these countries can be attributed to efficient management of oil and gas resources and robust financial systems that support economic growth.⁹⁶ Other countries with Islam as the official state religion, such as Kuwait, Malaysia, and the Maldives, also report competitive GDP per capita figures at \$49,400, \$28,384, and \$21,271, respectively. Conversely, countries like Pakistan (\$5,377) and Mauritania (\$5,330) demonstrate lower economic performance, reflecting significant disparities among nations with Islam as the official state religion. This suggests a wider range of economic outcomes influenced by factors such as governance quality, economic diversification, and investments in human capital.^{97,98,99,100,101}

Countries with Christianity as the official state religion also exhibit varied economic performance, with Norway recording the highest GDP per capita at \$67,296, followed by Denmark (\$59,935) and Iceland (\$55,567). Other Christian states, such as Greece (\$31,704), the Dominican Republic (\$19,338), and Armenia (\$16,057), report lower GDP per capita. Meanwhile, Israel, the sole country with Judaism as the official state religion, records a GDP per capita of \$44,393, while Cambodia, the only country with Buddhism as the official state religion, has the lowest GDP per capita at \$4,534. These comparisons illustrate that while official state religion may be a significant factor in a nation's structure, economic performance is also heavily influenced by other factors, such as natural resources, government policies, and social development levels. Figure 5 underscores the economic disparities not only between countries with different official state religions but also among countries within the same category of official state religion.

⁹⁵ Jamel Boukhatem, and Fatma Ben Moussa, "The Effect of Islamic Banks on GDP Growth: Some Evidence from Selected MENA Countries." *Borsa Istanbul Review* 18, no. 3 (2018): 231-247.

⁹⁶ Faruq Quadri, Oluwaseun Oladeji Olaniyi, and Olugbenga O. Olaoye, "Interplay of Islam and Economic Growth: Unveiling the Long-Run Dynamics in Muslim and Non-Muslim Countries." *Asian Journal of Education and Social Studies* 49, no. 4 (2023): 483-498.

⁹⁷ Diah Bardiah, and Saeed Herawi, "The Role of Religion in Economic Decision Making." *Jurnal Al-Sirat* 24, no. 1 (2024): 212-221.

⁹⁸ Philip Kofi Adom, Samuel Adams, and Dorian Ashun, "Economic Prosperity and Religion Nexus in Africa: Analysing the Innovation and Labor Market Channels." Preprint (Version 1) (2024). <https://doi.org/10.21203/rs.3.rs-4229492/v1>

⁹⁹ Lestari Agusalim, Lukytawati Anggraeni, and Syamsul H. Pasaribu, "The Economy of Indonesia: Driven by Physical or Human Capital?." *JEJAK: Jurnal Ekonomi dan Kebijakan* 15, no. 1 (2022): 10-28.

¹⁰⁰ Lestari Agusalim, and Yoga Setiawan. "COVID-19, Economic Growth, and Income Inequality: Empirical Study in Indonesia." *Economics Development Analysis Journal* 13, no. 4 (2024).

¹⁰¹ Lestari Agusalim, Muhammad Ilham Alfiansyah, Puguh Prasetyoputra, and Riko Noviantoro. "Examining the Economic Impact of Corruption: Are Differences Between the Cleanest and Most Corrupt Countries Before and During COVID-19?." *EKUITAS (Jurnal Ekonomi dan Keuangan)* 9, no. 1 (2025): 1-28.

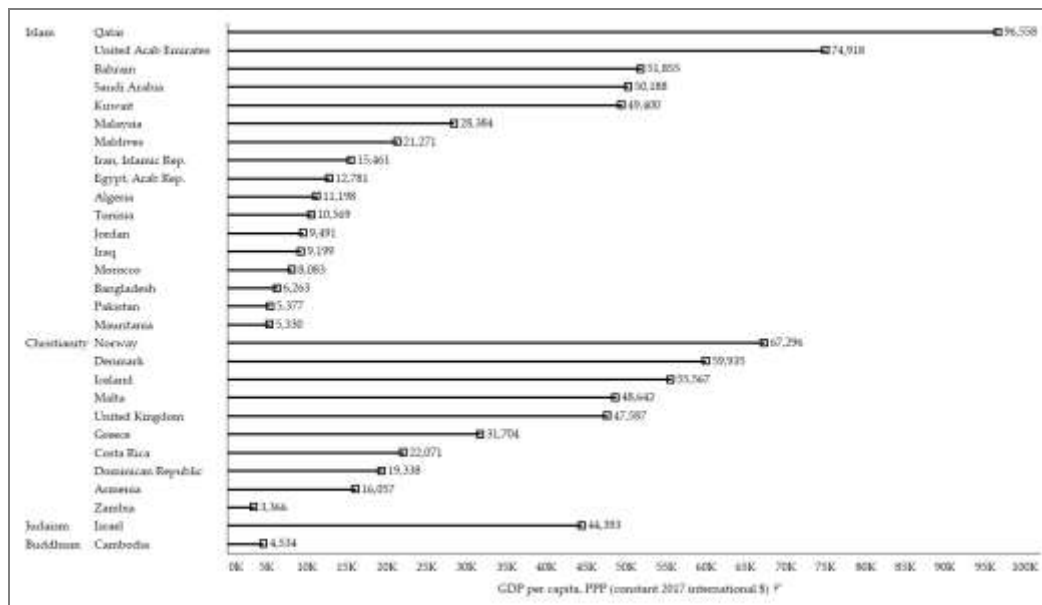


Figure 5. Economic Performance of Countries with Official State Religions in 2022

The relationship between a country's official state religion and its economic performance highlights that the institutional framework of religion can influence political stability and economic development. One of the primary reasons for these differences is how religion is utilized by governments as a tool for political and social legitimacy.¹⁰² Countries with an official state religion tend to have stable governance structures, as religion provides a moral and ethical foundation that strengthens public trust in the government.¹⁰³ However, this stability does not always align with economic performance, which depends on a nation's ability to manage natural resources, implement development policies, invest in education and human capital, and maintain trust in governmental institutions.^{104,105,106}

Significant variations in economic performance among countries within the same category of official state religion indicate that factors such as natural resources and governance quality play a more substantial role than religion itself. Resource-rich nations like Qatar and Norway have leveraged their natural wealth and governance structures to achieve high levels of prosperity.^{107,108} Qatar's wealth from oil and gas has enabled it to attain high GDP per capita and prosperity, while Norway has utilized its strong welfare state and effective governance to drive stability and economic growth. Conversely, countries with limited resources and weak governance, such as Mauritania or Zambia, face challenges in improving GDP per capita despite having the same official religion. This underscores that official religion

¹⁰² Dávid Turbuc, "Nation Building and Religion: The Horthy Cult in Hungary between 1919 and 1944." *Historical Studies on Central Europe* 3, no. 2 (2023): 68-89.

¹⁰³ Jonathan Fox, and Jori Breslawski, "State Support for Religion and Government Legitimacy in Christian-Majority Countries." *American Political Science Review* 117, no. 4 (2023): 1395-1409.

¹⁰⁴ R. Zapotichna, (2022). "An Overview of the Relationship Between Religion and Economic Development: The Case of the Middle East". *Matter of the International Scientific Conference: XXV Oriental Studies* (2022): 319.

¹⁰⁵ Giuseppina Autiero, "Secular Education and Religious Values in the Formation of Human Capital." *International Journal of Development Issues* 17, no. 1 (2018): 55-68.

¹⁰⁶ Cristina Del-Castillo-Feito et al., (2022).

¹⁰⁷ Timur Kuran, "Islam and Economic Performance: Historical and Contemporary Links." *Journal of Economic Literature* 56, no. 4 (2018): 1292-1359.

¹⁰⁸ Bardiah and Herawi, (2024).

is only one component of a more complex system influencing a country's economic performance.¹⁰⁹

The implications of these findings are crucial for policymakers, particularly in nations with an official religion. While religion can provide political stability and a social foundation, inclusive economic policies and sustainable development remain critical for achieving overall welfare.¹¹⁰ Moreover, managing the relationship between religion and the state should ensure that religion does not become a source of exclusivity or discrimination that hinders broader economic participation.^{111,112,113,114} By holistically addressing structural and institutional factors, nations can create synergy between religious values and sustainable economic development.^{115,116,117}

D. CONCLUSION

The study highlights the dynamic and complex relationship between religion, the state, and the economy. When integrated into a country's constitutional system, religion often serves as a moral foundation that bolsters political legitimacy and social stability. Countries with an official state religion generally exhibit higher levels of prosperity, as evidenced by significant GDP per capita indicators. However, this stability and economic performance cannot be attributed solely to religion. Factors such as effective governance, prudent resource utilization, and investments in education and human capital play a pivotal role in determining economic outcomes.

The variation in economic performance among countries with official state religions underscores the importance of local context. Some countries, such as Qatar and Norway, have leveraged abundant natural resources and strong governance systems to achieve high levels of welfare. Conversely, countries with limited resources or weak governance, such as Mauritania, face significant challenges in achieving sustainable economic growth. This demonstrates that official religion is not always the primary determinant of prosperity but rather one element within a broader system influenced by institutional structures and development policies.

¹⁰⁹ Petach and Powell, (2023).

¹¹⁰ Lestari Agusalim, Muhamad Karim, Mohammad Iqbal Irfany, Aprima Vista Ajeng Lestari, and Herlina Pebrianti, "Economic Development and Climate Change: Insights from Religious Countries." *International Journal of Energy Economics and Policy* 15, no. 2 (2025): 58-83.

¹¹¹ Agus Handoko, "Paradigm of the Relationship of Religion and the State." *Asian Journal of Engineering, Social and Health* 3, no. 2 (2024): 271-284.

¹¹² Fabio Zagonari, "Both Religious and Secular Ethics to Achieve Both Happiness and Health: Panel Data Results Based on a Dynamic Theoretical Model." *PLoS ONE*, no. 4 (2024): e0301905.

¹¹³ Mawardi, Hasni Hasni, Deni Miharja, and Busro Busro, "Harmony in Diversity: An Exploration of Peaceful Coexistence between Muslim and Christian Communities in Aceh, Indonesia." *Khazanah Sosial* 5, no. 1 (2023): 152-164.

¹¹⁴ Jaffar Aman, Jaffar Abbas, Shahid Mahmood, Mohammad Nurunnabi, and Shaher Bano, "The Influence of Islamic Religiosity on the Perceived Socio-Cultural Impact of Sustainable Tourism Development in Pakistan: A Structural Equation Modeling Approach." *Sustainability* 11, no. 11 (2019): 3039.

¹¹⁵ Busro, "Reflections on Religious, Cultural, and Political Dynamics in Contemporary Studies." *Religious: Jurnal Studi Agama-Agama dan Lintas Budaya* 8, no. 1 (2024): v-xiv.

¹¹⁶ Gulbaram T. Kulzhanova, Zhuldizay T. Kulzhanova, and Larisa A. Efimov, "Human Capital and Sustainable Development in a Religious Context." *Journal of Ethnic and Cultural Studies* 8, no. 3 (2021): 169-182.

¹¹⁷ Almut-Barbara Renger, Juliane Stork, and Philipp Öhlmann, "Religion and Ecology: Perspectives on Environment and Sustainability across Religious Traditions." *Religion and Development* 2, no. 3 (2024): 339-350.

To address these complexities, policies that integrate religious values with principles of inclusive and sustainable development must be carefully formulated. Governments should ensure that the role of religion in political systems does not become a source of discrimination but rather a tool to promote broader economic participation. Economic diversification, investment in human capital, and improvements in governance are critical steps to ensure that religion, as a social and moral foundation, contributes constructively to equitable and sustainable economic growth. By creating synergy between the social stability provided by official religion and progressive economic development policies, nations can establish a robust foundation for shared prosperity. This article has limitations, particularly in terms of quantitative analysis, as it has not yet conducted inferential analysis that could provide a deeper understanding of the impact of religiosity on economic growth based on the classification of state religions. Therefore, further research with a more comprehensive quantitative approach is needed to expand the understanding of the relationship between religion, state, and economy.

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