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**Article**

## Four reasons why analysis of economic policy and religion go hand-in-hand in sub-Saharan Africa

PEGNet Policy Brief, No. 23/2020

**Provided in Cooperation with:**

Kiel Institute for the World Economy – Leibniz Center for Research on Global Economic Challenges

*Suggested Citation:* Panin, Amma (2021) : Four reasons why analysis of economic policy and religion go hand-in-hand in sub-Saharan Africa, PEGNet Policy Brief, No. 23/2020, Kiel Institute for the World Economy (IfW), Poverty Reduction, Equity and Growth Network (PEGNet), Kiel

This Version is available at:

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**KEY POINTS**

- Religion is not the focus of many policy minded economists studying sub-Saharan Africa; yet, there are important overlaps.
- The economics of religion is a growing sub-field which provides new tools and theories to explore the ways religious beliefs and practices affect economic outcomes.
- This policy brief aims to convince of the importance of the overlap between religion and policy in sub-Saharan Africa by highlighting recent advances in how economists study religion, with results that touch on institutions, beliefs and governance.

# PEGNet

## Policy Brief

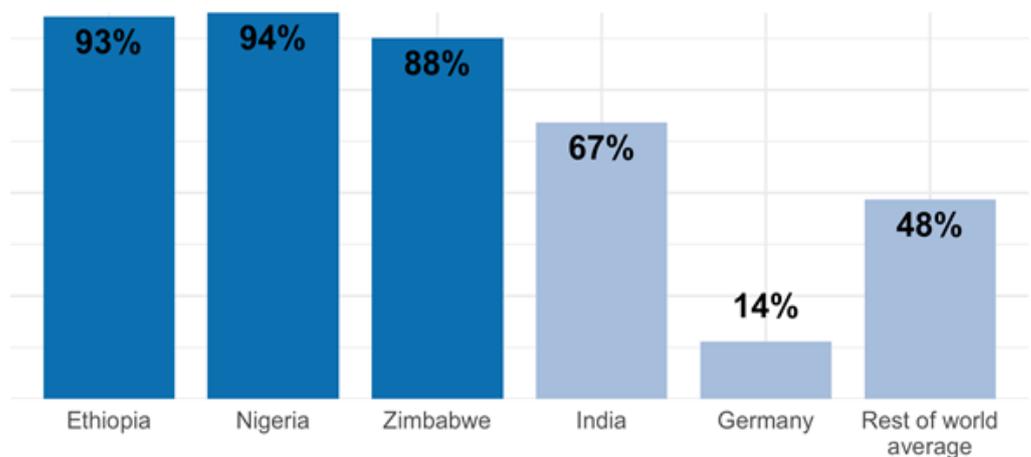
### Four reasons why analysis of economic policy and religion go hand-in-hand in sub-Saharan Africa

#### Amma Panin

Religion is rarely the focus of researchers and practitioners who spend most of their time thinking about economic policy in sub-Saharan Africa. A natural question follows: Why should policy-minded economics care about religion? In this policy brief I argue that religious beliefs and practices are particularly important in the region, which by some measures is the most religious place in the world (Pew 2018). I illustrate how these beliefs and practices affect economic outcomes through channels that are sometimes straightforward, and sometimes subtle and surprising. Advances in the economics of religion—a growing sub-field of economics—

Saharan African countries respond that religion is “very important” in their lives. This can be compared to about 23% of respondents in the average European country and about 60% of respondents in the average Latin American country (Pew 2018, World Values Survey Waves 6 and 7). For many of the people in sub-Saharan Africa, religion is an intensely felt, daily aspect of their lives that influences how they spend time and relate to social services. For example, more than 3 in 10 sub-Saharan Africans report experiencing a divine healing. The large numbers of people in sub-Saharan Africa who find religion important are not necessarily declining with time.

**Figure 1: Percentage of respondents who indicated that religion is ,very important in their lives**



Notes: Data for 3 sub-Saharan African countries included in the 2017-2021 wave of the World Values Survey. Germany and India\* included for comparison. \*Indian data from 2010-2014 wave.

provide new tools and theories to explore these channels. In particular, I highlight recent evidence and arguments about how trends in religious demography and practice in sub-Saharan Africa affect three areas: substitution between religious and secular institutions, economically relevant beliefs and preferences, and responses to laws and policies that alter personal liberties.

The first reason for policy makers in sub-Saharan Africa to pay attention to religion is that religion is important to the people about whom these policies are made. About 90% of respondents in sampled sub-

In most other regions of the world, young people are less religious than older people. In sub-Saharan Africa, there are no differences in religiosity across age groups, and in some countries, the young are even more religious than the old (Pew 2018).

An even longer perspective reveals consequential changes in religious demographics in sub-Saharan Africa. It is one of the most dynamic regions in terms of conversions and growth of religions. By 1900, less than 25% of sub-Saharan Africans were either Christians or Muslims. The remaining 75% practiced some form of an African traditional

religion. By 2010, 30% of sub-Saharan Africans were Muslim—one in seven Muslims in the world—and about 60% of sub-Saharan Africans were Christian—one in five Christians in the world. Now focusing only on the Christians in sub-Saharan Africa: in 1975, less than 10% were affiliated with a Pentecostal church; by 2015, 25% were affiliated with a Pentecostal church. Pentecostalism is a vibrant movement within Christianity which emphasises individual spiritual encounters such as miracles or speaking in tongues. Much of its growth has been spearheaded by entrepreneurial African pastors who have become global megastars. These changes in religious demography are striking. Measured in terms of the number of adherents, the number of churches, the number of missionaries and a number of other indicators, the centre of global Christianity has shifted from Europe to sub-Saharan Africa (Pew 2006).

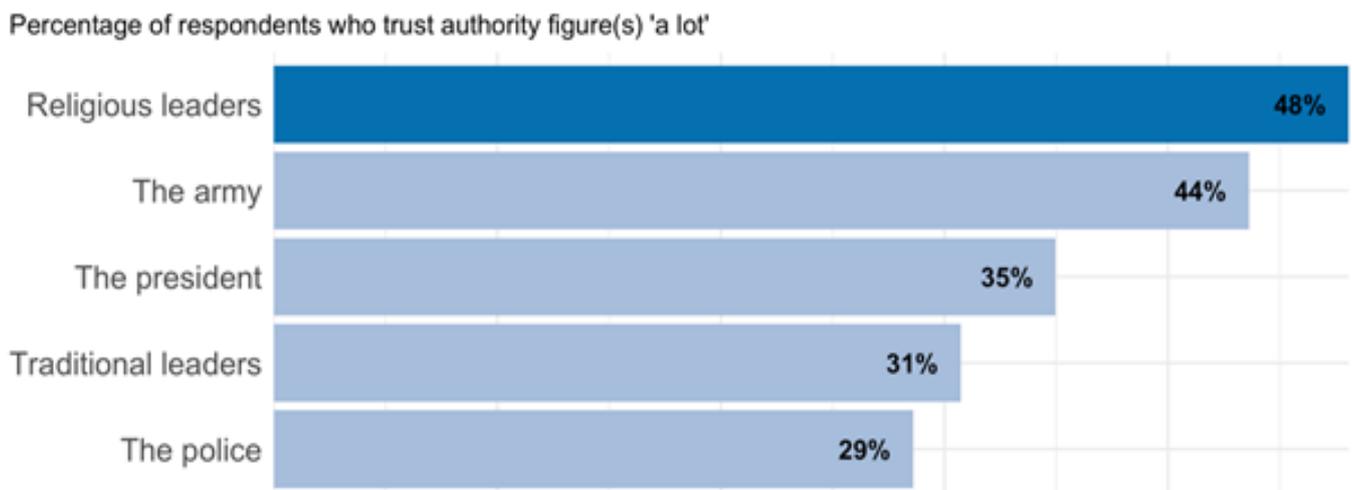
The shift towards sub-Saharan Africa and the switch towards Pentecostalism are so profound that scholars have referred to these changes as “the New Reformation” (see for example, Cox 2011). The economics literature provides plenty of evidence on the ways the original Reformation affected economic growth and development in Europe. Notable results suggest impacts on education, labour supply, and entrepreneurship amongst other outcomes (Becker et al. 2016). Policy-minded economists working in sub-Saharan Africa today have a ringside seat to one of the most dramatic shifts in religious demography. The shift is likely to have significant impacts on African economies in the long and short run. Policy making on the continent can be enhanced by an understanding of these shifts and their likely impacts, and the plausible channels of effects.

The institutions associated with religious practice are a channel that connects religion to economic outcomes. Importantly, religious institutions may provide access to secular goods and services such as education, insurance, or information. In this way, religious institutions may act as substitutes to social networks that would otherwise facilitate access to these goods and services. Religious institutions share many features with secular networks—people with shared beliefs meet regularly and engage in common practices. In this way they could be similar to savings associations, microfinance groups or agricultural networks. However, by emphasizing shared beliefs in supernatural beings who impose moral obligations, religious institutions also

make unique claims on the behaviour of their members compared to other social networks. These claims on behaviour may act as both screening and commitment devices. They act as screening devices in the sense that only “good” people would be willing to follow the strict moral codes. They act as commitment devices because once a person has decided to follow the moral codes, alternative behaviours outside the religious club become less attractive. For example, a person who does not drink alcohol for religious reasons might enjoy themselves less in a rowdy nightclub. The screening and commitment functions may build trust within the religious institution. Therefore, compared to other social networks, religious institutions may more efficiently facilitate access to secular goods and services that require trust.

An interesting example comes from Kenya, where a recent paper shows that two people who attend the same religious institution are about 30 percentage points more likely to seek out new agricultural information from each other compared to two people in a village who do not share a religious institution (Murphy et al. 2020). The authors use an instrumental variables strategy to control for the fact that certain types of people might choose to attend the same institution. The finding is interesting in light of discussions about how information about new technologies is transmitted in rural networks. In the case of the villages in Kenya, the authors argue that the religious institutions allow people to form ties because “[the institutions] encourage weekly interactions among individuals who share a set of values and assumptions” thus helping to form “large non-kin networks” which may be useful for information transmission. The authors indeed show that people who share a religious institution trust each other more and believe that their fellow institution members are likely to have higher quality information. The trust channel may also be important for a paper in Benin that finds a negative relationship between the use of bednets and the practice of traditional African religion (Stoop et al. 2020). In both cases, religious institutions transmit messages that might otherwise be transmitted by secular channels such as agricultural extension agents or public health workers. The question of whether religious institutions are substitutes or complements to the secular channels is a question of policy design—how can religious leaders and members be brought on board to enhance information flow or to mitigate suspicion?

**Figure 2: Religious leaders are amongst the most trusted authority figures in sub-Saharan Africa**



Source: Author’s elaborations based on data for 34 African countries from Afrobarometer Data Round 7, 2016/2018, available at [www.afrobarometer.org](http://www.afrobarometer.org)

Religion may affect economic outcomes through religious institutions which act as alternative social networks; religion may also change individual beliefs and preferences which govern economic choices. This channel is well illustrated by the connections between risk, insurance and religion. A number of studies have demonstrated robust associations between increased risk and increased religious participation. These papers have used variations in natural risks—such as rainfall or earthquakes (Agger and Ciccone 2018, Sinding Bentzen 2019)—as well as variation in financial risk—such as exposure to a sharp currency devaluation (Chen 2010). A recent field experiment in Ghana demonstrated the reverse channel: when church members got access to insurance, they reduced contributions not only to their own churches, but also to other spiritual goods (Auriol et al. 2020). This demonstrates how access to a formal insurance policy (a secular good) reduced investment in the religious institution, but also reduced investment in spiritual beliefs more generally. An implication of this result is that in the absence of insurance, people may invest in high levels of spiritual beliefs as a means of coping with risk. This in turn would shape how people respond to new insurance policies and might help to explain the slow expansion of micro-insurance across sub-Saharan Africa. Thus, new insights into how religion changes beliefs and preferences can provide new insights into how individuals might respond to policies and programmes.

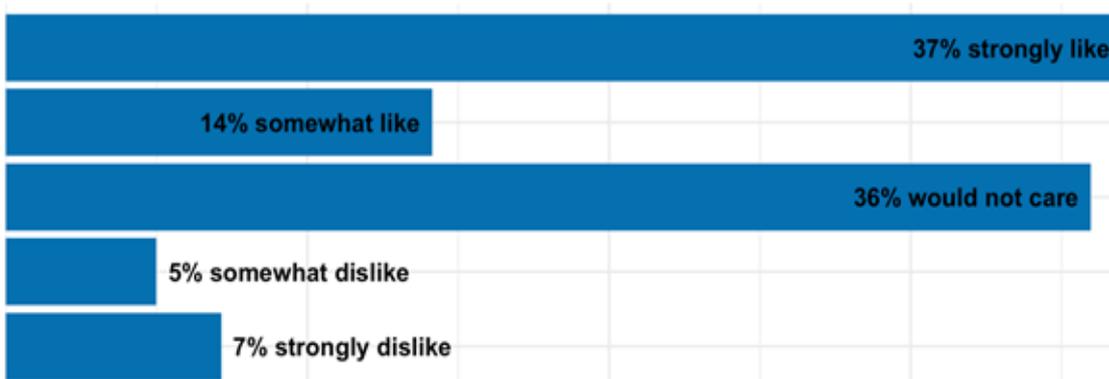
Finally, religion interacts with states, governments and bureaucracies in important ways. Religion plays a salient role in conflict. There are notable examples of violence associated with religious extremism such as in Northern Nigeria or in the Sahel region. However, many countries in sub-Saharan Africa are marked by the lack of inter-personal conflict between citizens of different religions. In a Pew survey, more than half of the Muslim respondents agreed that “Christians are tolerant, honest and respectful of women”. Christian respondents also reported favourable evaluations when asked about Muslims. Majority of respondents in the survey also report that they trust people who have different religious values and they believe that people of different faiths are free to practice their religion (Lugo and Coopermans 2010) These results are echoed by the most recent round of the Afrobarometer: 87% of respondents report that they either don’t care or would like to have a neighbour of a different religion (Afrobarometer 2016/2018).

Beyond conflict, recent work suggests that religion may also interact with governance through laws that shape norms and drive labour participation (Esteban, Levy and Mayoral 2019). Laws may grant increased personal liberties over areas such as divorce, abortion or homosexual behaviour, and these new freedoms will be felt differently by religious and non-religious people. The non-religious are likely to respond more, including a greater increase in labour supply to take advantage of the new freedoms. The authors test this theory with 53 years of data from Europe and find sizeable effects. In places with high levels of personal liberties, a one standard deviation increase in the intensity of religious beliefs is associated with a decrease of almost 2 hours of work per week.

Analyses such as these are extremely important for sub-Saharan Africa and for policy makers working on the continent. Some evidence suggests that residents of sub-Saharan Africa hold more conservative beliefs around personal liberties compared to other parts of the world (Wrong 2014). Such beliefs are often not shared by international policy makers. A striking example of this are debates around official aid and LGBTQ rights. In a fiery exchange in 2014, the head of the European parliament called for aid to be directed away from African countries that criminalize LGBTQ relationships. His statement that “It is a disgrace that in far too many places, one can be imprisoned for their sexual orientation” was met with the query from a Ugandan member of parliament about “how the EU would respond if the African Union tried to condition relations on extending practices of polygamy” (Nelsen 2014). Rhetoric aside, the Esteban, Levy and Mayoral (2019) paper demonstrates the risks of backlash—such as the withdrawal of labour participation—when laws (or policy environments) take a position on personal liberties that is out of sync with the norms and beliefs of religious affiliates.

Thus, this brief has suggested four main reasons why policy-minded economics working in sub-Saharan Africa might want to keep an eye on religion in the continent. Working backwards: religion may shape norms around personal liberties in ways that differ from the norms of typical international policy-makers; religion may produce a bundle of beliefs and preferences that help people cope with their lives and that may hinder take-up of new programmes; religion may shape institutions that provide attractive alternatives to secular networks and institutions; and finally religion continues to be an

**Figure 3: Afrobarometer Q87A. „Please tell me whether you would like having people from a different religion as neighbors, dislike it, or not care”**



Source: Author’s visualisations based on data for 34 African countries from Afrobarometer Data Round 7, 2016/2018, available at [www.afrobarometer.org](http://www.afrobarometer.org)

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area of growth and innovation in sub-Saharan Africa with few signs of slowing down. The religious beliefs and practices we observe are likely to shape economic opportunities and outcomes in the present and for future generations. In that sense, time spent thinking about religion in sub-Saharan Africa is time spent thinking about economic policy in sub-Saharan Africa.

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