

## THE ROLE OF RELIGION IN ECONOMIC DECISION MAKING

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### Abstract

*This study aims to investigate the influence of religion on economic decision-making in contemporary society. This study employs a quantitative survey technique to acquire a comprehensive knowledge of the complexities of the variables that impact economic decisions, as well as the consequences of these results in the context of inclusive and sustainable economic policy. The study includes 164 volunteers ranging in age from 17 to 28 years, 28 to 46 years, 46 to 58 years, and over 59 years. According to the survey data, religion has a significant influence on attitudes about investment and consumption. The findings of this study have significant implications for designing inclusive economic policies. Good religious education can help deepen individuals' understanding of how religious values can be integrated into their economic decisions..*

**Keywords:** Religion, Economic Decision-making, Values, Norms, Preferences

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## INTRODUCTION

Religion has long played a role in shaping human values, norms, and moral principles. As McCleary and Barro (2006) state, religion is sui generis and can motivate human behavior in this world through rewards or punishments in the afterlife, such as salvation, damnation, and nirvana. In addition to its spiritual dimension, religion also provides guidance on various aspects of everyday life, including economic decision-making.

Individual and group economic activity is influenced by decisions about investment, consumption, and resource management. Understanding how religion impacts economic decision-making becomes an intriguing element to investigate in the context of modern civilization.

In addition to providing guidance on various aspects of individuals, religion can influence consumer awareness of halal food brands and their decisions to purchase such products, as expressed by Khoerunnisa and Sunaryo (2016). Religion can also influence a person's behavior and attitude toward business. For example, research conducted by Khan (2011) and Khraim (2010) shows that religion can influence customer choices and what they buy.

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Other research has taken a preliminary look at the complexities of the link between religion and economic decision-making. According to Publishing et al. (2023), in their study titled "the relevance of religious principles to contemporary economic issues," religious leaders and followers from other religions may benefit from one another's readings of the Holy Scriptures. Some ideas and concepts from other religions can be useful in formulating their views on economic policy. Therefore, religion can influence an individual's perception of economic transaction choices through the teachings and principles that are upheld in that religion.

A previous study by Niveditasri & Sanmitha (2020) also shows that religious beliefs play a role in individual financial decisions. The paper shows that people tend to base their daily investments and financial decisions on religious beliefs to some extent. While not all respondents considered certain days or times of day that they perceived to be auspicious for making investment decisions, most of them still believe that beliefs can provide potential meaning to their investment patterns or financial decisions. The paper, however, did not go into depth on how religious views impact financial decisions.

However, there is an urgent need to delve deeper into how religion affects preferences, attitudes, and economic actions at the individual level. In addition, it is important to identify potential variations in the influence of religion depending on everyone's religious interpretation and practice.

This study intends to investigate the influence of religion on economic decision-making within this paradigm. This study attempts to give in-depth insights into how religion impacts individual economic choices and behavior using survey methodologies and quantitative analysis. Furthermore, the study is anticipated to give a greater knowledge of the complexities of the variables that impact economic decisions, as well as the consequences of these results in the context of inclusive and sustainable economic policy.

## **LITERATURE REVIEW**

Religion has long been a strong element in human existence, including economic decision-making. According to studies, religion may have both positive and negative effects on economic decisions, depending on the context.

Berggren and Bjrnkov (2011) revealed that the more important religion is to a person, the lower the level of social trust in society. However, they acknowledged that religion may influence individual behavior in a variety of ways, including crime, health, and participation in social activities. As a result, depending on the context and other factors, the influence of religion on everyday life can have both positive and negative consequences.

Ramoutar (2022) argued that religion can have a negative effect on economic growth. He explained that there is some research that has examined how religion influences individuals' perceptions of economic transaction choices. For example, Guiso, Sapienza, and Zingales (2003) found a negative relationship between religion and attitudes that support economic growth in countries where Islam is the dominant religion.

Other studies have found that religion can influence household financial decisions and

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individual economic attitudes. Religion, in general, may have an impact on a person's daily life in a variety of ways, including influencing moral and ethical ideals, offering direction on how to live a decent life, providing social support through religious networks, and creating a sense of purpose and meaning in life. Religion can also have an impact on decisions concerning education, career, relationships, and health (Renneboog & Spaenjers, 2012).

Souiden and Rani (2015) found that religious involvement has a positive and significant effect on attitudes towards Islamic banks. This means that if individuals believe that using the services of an Islamic bank is consistent with their religious involvement, then their attitudes towards Islamic banks will theoretically be favorable.

Religious principles can be applied to government policy, citizen behavior, and corporate practices. In addition, Islam places the market as the standard way to do business and distribute the fruits of production, and the market is regulated but not replaced by the state in allocating resources (Publishing et al., 2023). Therefore, it can be concluded that religion can influence preferences in terms of financial investment or business through the teachings and principles that are upheld in that religion.

Tahir and Brimble (2011) found that religion can influence the investment preferences of Muslims. Some factors that influence Muslim investment decisions are Islamic law, risk, return, and ethical and environmental factors. For example, Islamic law prohibits investment in businesses that are considered haram, such as gambling, alcohol, and products containing pork. Therefore, devout Muslims tend to avoid investing in such businesses. Furthermore, the survey found that Muslims favor investments with low risk and consistent returns, and they also consider ethical and environmental considerations in their financial selections. However, investing choices might differ depending on religious devotion and other characteristics such as investment experience and financial expertise.

Jamaludin (2013) cited a study by Haron and Wan Azmi (2008) that found that Islamic banking customers in Malaysia prioritize profit motives over religious motives when making economic decisions. However, they discovered that economic variables such as the Kuala Lumpur Composite Index (KLCI), the Consumer Price Index (CPI), and the Gross Domestic Product (GDP) have a positive and significant relationship with the savings function in the Islamic system, reflecting the influence of Islamic teachings.

Muhamad, S. Susela Devi, and Abdul Mu'min (2006) revealed that religion had a significant influence on investing decision-making among Muslim Malay investors in Malaysia. However, a recent study discovered that, while there are significant differences in investment choices between Muslims and non-Muslims, religiosity has no relevant influence on investment decisions.

Religion, according to the research, may have a beneficial as well as detrimental effect on economic decision-making. The impact of religion on economic decisions varies depending on the context, the level of religious commitment of the individual, and other factors.

## **METHODOLOGY**

This work is based on both primary and secondary sources of information. Articles, research papers, and journals were used to acquire secondary data. A quantitative survey technique was

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employed in this study to acquire a comprehensive knowledge of the influence of religion on economic decision-making. Individuals from diverse religious origins and nations who are now residing in Indonesia comprised the study's population. The sample was taken randomly from various religious groups to capture the diversity of religious views. The number of survey respondents was approximately 164 respondents representing 98% Islam, 2% Protestant Christianity, and 1% Catholic Christianity.

A questionnaire was created to collect initial information. This study included 164 volunteers ranging in age from 17 to 28 years, 28 to 46 years, 46 to 58 years, and over 59 years. The questionnaire was created in Google Forms, and the link was sent via various social media platforms. The technique was described in the form, followed by a brief explanation of the study topic. Participants were asked for their name, gender (male/female), age (17-28 years, 28-46 years, 46-58 years, and older than 59 years), religion (Islam, Protestant Christianity, Catholic Christianity, Hinduism, Buddhism, Confucianism), residence (34 Provinces), and employment. The questions were grouped into three primary areas, and a Likert scale was used to assess the extent of the effect of religion on economic decisions.

The first component of the questionnaire focused on religious beliefs and practices, the second on economic choices, and the third on attitudes about ownership and resource management. These three parts were partially concentrated on understanding the role of religious beliefs in individual investment patterns and the outcomes that follow the same. Respondents were required to choose from the options available for each question. Survey data was processed using statistical software to obtain descriptive statistics with the use of hypothesis testing using Microsoft Excel.

## DISCUSSION

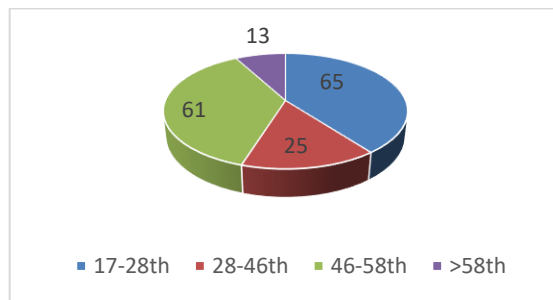


Figure 1.1 Age of Respondents

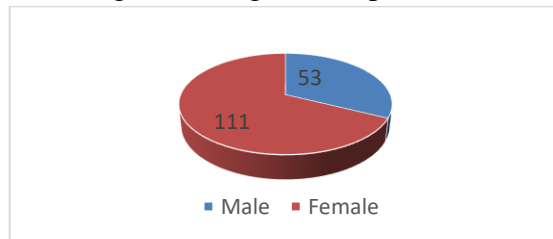


Figure 1.2 Gender

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Based on the information we received, we separated the research participants into four age groups. The age range 17-28 accounted for 40% of engagement, whereas the age group 28-46 accounted for 15%. Furthermore, respondents aged 46 to 58 made up 37% of all respondents, with those above 58 accounting for 8%. This data shows how respondents' ages were dispersed in this survey.

Moreover, when it comes to gender distribution, among our participants we had two groups: male and female. Male respondents comprised 32% of the number of participants whereas female respondents constituted about 68%. It is worth noting that most of our respondents were female.

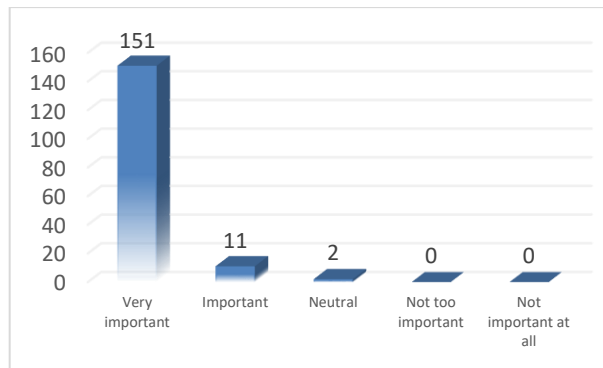


Figure 1.3 Perception of Religion in Daily Life

The findings from the analysis reveal that religion has an impact on an individual's economic values and norms. People who follow a religion with beliefs tend to have economic preferences that align with their religious values. For instance, individuals belonging to groups are more inclined to make investments that are considered ethically sound according to their religious teachings. Based on the provided data it can be concluded that most participants in this study highly value religion in their lives. A staggering 92% of all respondents expressed the importance they attach to religion. This indicates that religion plays a role in shaping the values, beliefs, and actions of those involved.

The significance of religion in life can have implications. Religion serves as a source of ethical guidance forming the basis for decision making and behavior patterns. Additionally, it provides solace, hope, and comfort during life's trials and tribulations.

Although most participants recognize the importance of religion there is a minority (7%) who still consider it important while 1% remain neutral about its significance in everyday life. This indicates that respondents have differing perspectives and levels of engagement although the percentages are quite low.

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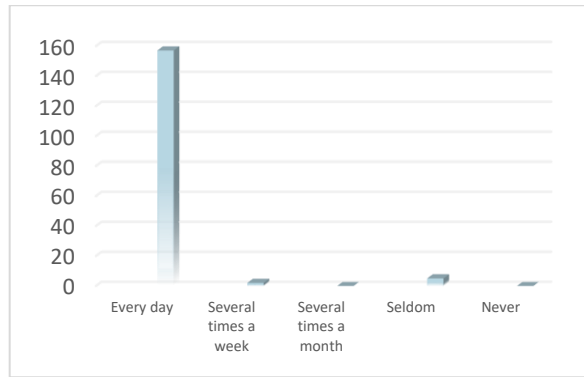


Figure 1.4 Worship Intensity

Based on the data above, it can be concluded that the majority of respondents (96%) consistently perform religious worship or activities every day. Only a small minority of respondents (1%) do so several times a week. This shows a high level of activity and involvement in religious practice. Although there is a small minority of respondents (3%) who rarely perform religious worship or activities, no respondents reported performing religious worship or activities several times a month or never. This conclusion suggests that the majority of respondents have a strong commitment to their religious practices.

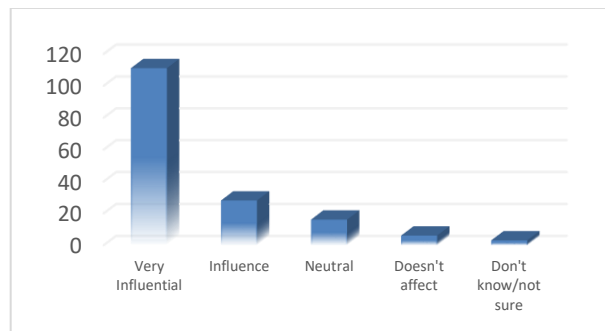


Figure 1.5 Preferences in Financial or Business Investments

Based on the findings of the survey it can be inferred that a large portion of participants (68%) expressed that their religious beliefs strongly shape their choices regarding business investments. 17% of respondents indicated that religion has some influence, on their preferences while 10% remained neutral regarding the impact of religion on brand investment choices. 4% stated that their religious beliefs have no effect on their investment preferences and a small percentage ( 2%) were uncertain or did not know.

In light of these results, we can conclude that most participants perceive their religion as having an impact on their business investment decisions. This highlights the significance of values and principles, in guiding individual's choices when it comes to investments.

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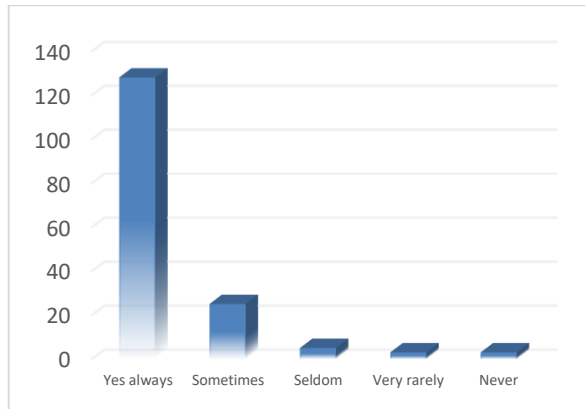


Figure 1.6 Choosing Investments Based on Religious Principles

Based on the questionnaire results it can be inferred that the majority of participants (78%) prefer to select investments or projects that align with their beliefs. 15% of respondents mentioned that they occasionally opt for investments or projects, in line with their principles. A small number of participants (around 3%) rarely or very rarely choose investments or projects based on their values while 2% claimed they would never do so or were uncertain, about it.

From these results, it can be concluded that the majority of respondents have a tendency to choose investments or projects that are in line with their religious principles. This shows that religious values play an important role in respondents' investment decision-making. Although there is a small minority of respondents who do not always choose investments that are in line with their religious principles, the majority of respondents still consider religious factors in their investment decisions.

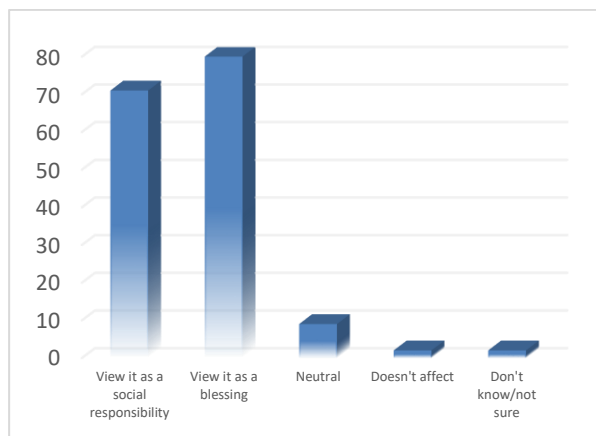


Figure 1.7 Attitudes Towards Resource Ownership and Management

Based on the results of the questionnaire, it can be interpreted that the majority of respondents (49%) view their religion as a blessing that influences their views on the ownership and management of wealth or resources. This shows that religion is an important factor for them in viewing wealth or resources as a gift that should be appreciated and used wisely.

In addition, some respondents (43%) also view the ownership and management of wealth or resources as a social responsibility. This shows that religion also plays a role in viewing wealth or resources as a means to help others and improve social conditions.

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Meanwhile, a small minority of respondents (5%) stated neutral, which means that their religion does not have a significant influence on their views on the ownership and management of wealth or resources. There is also a small minority of respondents (1%) who stated that their religion does not influence their views, as well as a small minority (1%) who do not know or are not sure.

Based on the findings of this survey we can deduce that religion plays a role, in shaping people's perspectives on wealth and resource ownership and management. Most respondents perceive religion as a force that impacts their views while some consider it a societal obligation. Although there are individuals who remain neutral or unaffected by influence the majority of respondents acknowledge that their beliefs shape their stance, on wealth and resource ownership and management.

### **Discussion Results**

This research has given us a thorough understanding of the complexities of the interaction between religion and economic decision-making in modern countries. The following are some important findings:

Variation in the influence of religion:

The study also discovered a large variance in religious impact based on each individual's perspective and religious behaviors. Respondents who actively follow their religion have a larger religious effect on economic decision-making than those who see religion as a distinct component of life.

The influence of religion in the context of investment and consumption:

According to the study findings, religion has a significant influence on attitudes about investment and consumption. Respondents who have strong religious values are more inclined to invest in industries or initiatives that align with their religious principles. Furthermore, they are more inclined to consider moral and ethical issues while making purchasing decisions.

Economic policy implications:

The study's conclusions have important implications for developing inclusive and sustainable economic policy. It is critical for policymakers to consider religious elements when developing policies that encourage balanced and sustainable economic growth while honoring the community's values and beliefs.

Policy and religious education implications:

The study's findings have substantial significance for economic policy formation. Religious elements should be considered by policymakers when formulating policies that support balanced economic growth while honoring community values. Furthermore, strong religious education can assist individuals in having a better grasp of how religious principles can be integrated into economic decision-making.



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Limitations and room for further research:

The study focused on contemporary society with a limited diversity of religious backgrounds and did not consider geographic or cultural variability that has affected the results. Further, research can explore more specific contexts or expand the geographic scope to gain deeper insights.

The outcomes of this conversation contribute significantly to our knowledge of how religion impacts economic decision-making. The policy implications and suggestions for religious education also provide practitioners and policymakers with useful information in advancing inclusive and sustainable economic policies.

## CONCLUSION

This research has given a thorough grasp of the complexities of the interaction between religion and economic decision-making in contemporary society. The following are some important findings:

- Religion may affect economic decision-making in a number of ways, including ideas about wealth and poverty, risk and uncertainty attitudes, and preferences for specific sorts of investments.
- The impact of religion on economic decision-making varies according to individual interpretation and religious practices.
- According to survey data, religion has a significant influence on attitudes about investment and consumption. Respondents who have strong religious values are more inclined to invest in industries or initiatives that align with their religious principles. Furthermore, they are more inclined to consider moral and ethical issues while making purchasing decisions.

The findings of this study have significant implications for designing inclusive and sustainable economic policies. It is important for policymakers to consider religious factors in designing policies that promote balanced and sustainable economic growth while respecting the values and beliefs of the community.

In addition, this study also has important implications for religious education. Good religious education can help deepen individuals' understanding of how religious values can be integrated into their economic decision-making.

This study concentrated on modern cultures with a limited range of religious origins and did not take into account regional or cultural heterogeneity, which might have influenced the results. To get deeper insights, additional studies might investigate more particular circumstances or broaden the geographic reach.

- To examine the efficiency of economic policies that incorporate religious concerns, research might be done in diverse nations or areas with varied religious origins.
- Religion can impact economic decision-making in more specialized situations, such as a certain economic sector or a specific social group, according to research.

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- To acquire a better knowledge of how religion impacts economic decision-making, researchers might employ various study methodologies such as interviews or case studies.

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