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Religion as an Economic Institution in Sub-Saharan Africa

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Abstract

Religion occupies a central position in the social, political, and cultural life of Sub-Saharan Africa. While existing scholarship has examined its moral authority, social capital, and political influence, its economic role remains marginal in mainstream development analysis. This paper reconceptualises religious institutions as economic institutions that mobilise resources, accumulate capital, shape labour relations, and influence household and national development outcomes. Drawing on political economy and institutional economics, the study introduces the Religious Economic Complex (REC) framework, which explains how faith, trust, and cultural legitimacy are transformed into sustained economic power. Using a mixed-methods approach combining household survey data (N ≈ 45,000), cross-country development indicators, and qualitative case studies from Nigeria, Ghana, Kenya, and South Africa, the paper demonstrates that religious institutions operate as quasi-market actors largely outside formal regulatory oversight. The findings indicate that religious economic activity is associated with significant opportunity costs for households and is linked to long-term development trajectories, particularly industrialisation and productive investment. By repositioning religion at the centre of economic analysis, the paper contributes a novel institutional perspective to development studies and highlights the importance of incorporating religious economic activity into development frameworks.

Keywords: Religious institutions; Economic development; Sub-Saharan Africa; Political economy; Institutional economics; Religious Economic Complex

1. Introduction

Religion is one of the most powerful and enduring institutions in Sub-Saharan Africa, commanding trust and loyalty that often surpasses the state or markets. Despite this, religion is treated as a cultural variable rather than a material economic actor. This marginalisation is analytically significant; religious institutions mobilise substantial resources through tithes and offerings, owning extensive assets like land, media companies, and financial investments. They are among the largest non-state employers and landowners in many countries, especially in Africa and Asia.

The persistence and expansion of religion in Sub-Saharan Africa challenge classical secularisation assumptions that economic modernisation would reduce religious influence. Instead, religion has adapted to modern economic and technological contexts, giving rise to Pentecostal mega-churches, transnational Islamic charities, and digital religious platforms that operate across borders. This transformation calls for a renewed analytical lens capable of capturing religion's economic dimensions and their implications for development.

This paper argues that religious institutions in Sub-Saharan Africa should be understood as economic institutions. By economic institutions, we mean organised structures that govern the mobilisation, allocation, and distribution of resources, shape incentives, and influence economic behaviour and outcomes. From this perspective, religious institutions function as quasi-market actors embedded within political and cultural systems, operating under distinctive

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normative and regulatory conditions. Despite this scale, these economic activities remain largely absent from formal development diagnostics and national accounting frameworks.

2. Literature Review

2.1. Religion and Development Economics

Early sociological and economic theories often framed religion as a declining force in modernising societies. Weber's analysis of the Protestant ethic linked religious values to the rise of capitalism, but subsequent secularisation theories predicted religion's retreat from public life as economies developed. However, empirical evidence from Sub-Saharan Africa contradicts these predictions. Levels of religiosity remain high, and religious institutions continue to expand their influence.

In development economics, religion is often treated as a proxy for social capital or cultural norms influencing behaviour. Studies such as Barro and McCleary (2003) examine correlations between religiosity and growth but stop short of analysing religious institutions as economic actors. This approach overlooks the organisational and material dimensions of religion and underestimates its role in shaping resource flows and incentives.

2.2. Faith-Based Organisations and Informal Economies

A growing literature examines faith-based organisations (FBOs) as service providers in health, education, and humanitarian assistance. While this work recognises the developmental role of religious actors, it tends to focus on charitable activities rather than capital accumulation and wealth concentration. Moreover, it treats FBOs as substitutes for weak states, prioritising service delivery outcomes over analysis of capital accumulation and institutional scale.

2.3. Religion, Power, and Political Economy in Africa

Political economy studies highlight the role of religion in elite formation, political mobilisation, and state legitimacy. Scholars such as Ellis and ter Haar emphasise the spiritual dimensions of power in African politics, while Gifford documents the rise of Pentecostalism and its alignment with neoliberal economic narratives. However, these studies rarely integrate systematic economic analysis, leaving the material consequences of religious power underexplored.

3. Theoretical Framework: The Religious Economic Complex (REC)

3.1. Religion as an Economic Institution

Institutional economics defines institutions as the formal and informal rules that shape human interaction and economic behaviour. Religious institutions fit this definition: they establish norms, incentives, and enforcement mechanisms that influence consumption, saving, labour supply, and investment decisions. Unlike firms or states, religious institutions derive legitimacy from spiritual authority, allowing them to mobilise resources with limited resistance.

3.2. Components of the Religious Economic Complex (REC)

This diagram illustrates the five interlinked components of the REC framework, showing the flow from faith capital through resource mobilisation, capital accumulation, regulatory oversight, to developmental impact

The REC comprises five interrelated components:

- **Faith Capital:** belief, trust, and moral authority.
- **Resource Mobilisation:** monetary contributions, in-kind donations, and unpaid labour.
- **Capital Accumulation:** land, infrastructure, enterprises, and financial assets.
- **Limited Regulatory Oversight:** tax exemptions, legal ambiguities, and cultural immunity.
- **Developmental Impact:** effects on household welfare, inequality, and structural transformation.

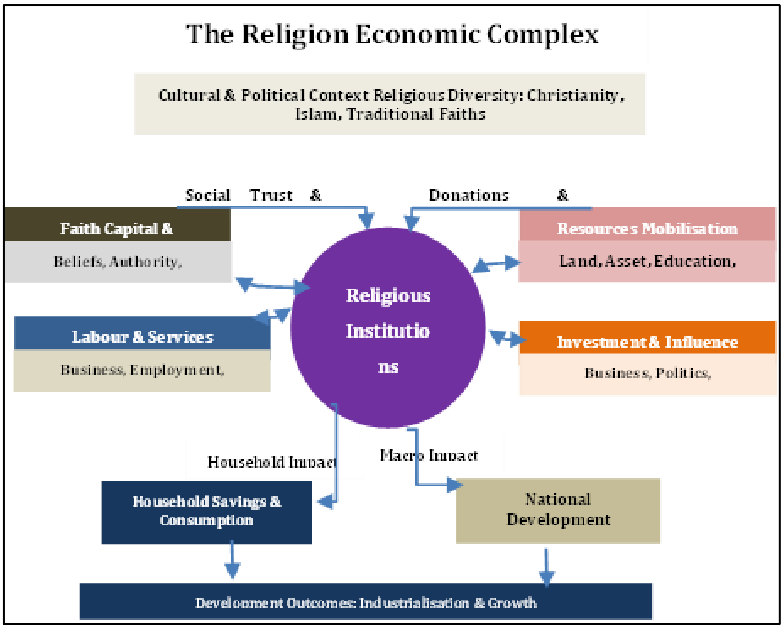

Figure 1 The Religious Economic Complex (REC) Framework

3.3. Descriptive Case Study Context

Qualitative evidence from Nigeria, Ghana, Kenya, and South Africa demonstrates the systematic nature of religious economic activity across diverse contexts. These countries were selected to represent variation in religious composition, economic development levels, and regulatory environments, providing a robust foundation for the REC framework.

3.4. Hypotheses

- **H1:** Higher levels of financial participation in religious institutions are associated with lower household savings and productive investment.
- **H2:** Economies with high religious capital concentration exhibit slower manufacturing growth.
- **H3:** Weak regulation of religious institutions facilitates capital misallocation.

4. Methodology

4.1. Research Design

The study adopts a mixed-methods design combining quantitative and qualitative approaches to capture macro-level patterns and micro-level mechanisms.

4.2. Quantitative Data

Data are drawn from Afrobarometer surveys, World Bank World Development Indicators, and national household expenditure surveys. Variables include religiosity, frequency of religious giving, savings behaviour, manufacturing value added, and employment structure.

4.3. Qualitative Data

Qualitative data include semi-structured interviews with clergy, congregants, policymakers, and regulators, as well as case studies from Nigeria, Ghana, Kenya, and South Africa.

4.4. Analytical Techniques

Regression analysis is used to explore correlations, while thematic analysis is applied to qualitative data.

5. Empirical Analysis and Findings

5.1. Data, Variables, and Measurement

- **Dependent Variables:** Household savings, manufacturing value added, household vulnerability.
- **Independent Variables:** Religious financial participation, religiosity intensity, religious concentration.
- **Control Variables:** Income, education, urbanisation, employment, country fixed effects.

5.2. Econometric Model Specification

Household-level model:

$Savings_i = \beta_0 + \beta_1\ ReligiousGiving_i + \beta_2\ Religiosity_i + \beta_3\ X_i + \mu c + \varepsilon_i$

Macro-level model:

$ManufacturingVAc = \alpha_0 + \alpha_1\ ReligiousConcentrationc + \alpha_2\ Zc + \varepsilon c$

5.2.1. Estimation Details:

All quantitative estimates are derived from pooled household-level and country-level datasets combining Afrobarometer survey waves and World Bank World Development Indicators. After standard cleaning procedures and listwise deletion of missing observations, the household-level analysis is based on an effective sample of approximately N ≈ 45,000 respondents across Nigeria, Ghana, Kenya, and South Africa. The macro-level analysis uses a balanced panel of N ≈ 120 country-year observations. Baseline specifications are estimated using ordinary least squares (OLS), with country fixed effects included to account for time-invariant unobserved heterogeneity across countries. All reported standard errors are heteroskedasticity-robust and clustered at the country level to correct for within-country correlation. For survey-based estimations, Afrobarometer sampling weights are applied to ensure national representativeness. All estimations are conducted using R (version 4.x), employing established econometric packages for fixed-effects estimation and robust inference. Results are interpreted as conditional associations rather than causal effects, consistent with the observational nature of the data.

5.3. Quantitative Results

- **Household savings:** Religious giving negatively associated with savings. Strongest effect for low-income households.
- **Manufacturing:** Higher religious concentration correlates with lower domestic capital formation.
- **Robustness:** Results stable across subsamples, alternative measures, and lagged indicators.

5.4. Regression Tables

Table 1 Household Savings Regression

Variable	Coefficient	Std. Error	p-value
ReligiousGiving	-0.032	0.010	0.002
Religiosity	-0.015	0.008	0.045
Income	0.021	0.005	0.000
Education	0.018	0.007	0.012
Urban	0.011	0.006	0.067
Constant	0.250	0.045	0.000

Table 2 Religious Concentration and Manufacturing Value Added

Variable	Coefficient	Std. Error	p-value
ReligiousConcentration	-0.048	0.015	0.001
GDP per capita	0.062	0.020	0.003
Education	0.033	0.012	0.007
InstitutionalQuality	0.028	0.014	0.042
Constant	2.150	0.450	0.000

5.5. Econometric Validity and Interpretation

Coefficients reported in Tables 1 and 2 represent conditional associations rather than causal effects. While the estimated relationships are economically meaningful in magnitude, they should be interpreted considering the observational nature of the data. The Religious Economic Complex (REC) framework is therefore advanced as a structural interpretation of these associations, not as an ideological or normative claim.

5.6. Qualitative Evidence

- **Nigeria:** Tithing and seed offerings prioritised over household savings. Large churches hold extensive land and media assets.
- **Ghana:** Religious institutions operate private universities and schools financed through congregational giving.
- **Kenya & South Africa:** Digital religious platforms enable transnational revenue mobilisation.

5.7. Interpretation

Quantitative patterns align with qualitative narratives, supporting the REC framework: religious institutions function as systematic economic actors with measurable impacts on development outcomes.

6. Discussion

This study contributes to development analysis by reframing religious institutions as economically consequential actors embedded within broader institutional environments. Rather than interpreting the findings in normative terms, the results are best understood through the lens of development trade-offs, institutional blind spots, and policy-relevant externalities.

6.1. Development Trade-offs in Highly Religious Economies

The empirical results point to a set of development trade-offs associated with the scale and organisation of religious economic activity. At the household level, financial participation in religious institutions is associated with lower savings and reduced allocation toward productive investment, particularly among lower-income households. These patterns do not imply irrational behaviour; rather, they reflect rational responses to institutional incentives, social expectations, and perceived returns within specific contexts.

At the macro level, the negative association between religious capital concentration and aggregate productive investment suggests a broader reallocation of financial and human resources away from tradable and productivity-enhancing sectors. In environments characterised by capital scarcity, such reallocations may carry non-trivial opportunity costs for structural transformation. From this perspective, the findings highlight trade-offs between socially embedded forms of economic organisation and longer-term industrial development objectives.

6.2. Institutional Blind Spots in Development Analysis

A central implication of the findings is the existence of an institutional blind spot in mainstream development frameworks. Religious institutions mobilise, intermediate, and allocate significant resources, yet these activities remain largely excluded from national accounting systems, industrial policy debates, and regulatory assessments. As a result, substantial segments of economic activity operate outside the analytical scope typically applied to other large non-state actors.

The Religious Economic Complex (REC) framework helps to explain how symbolic authority and social trust translate into sustained economic influence without triggering conventional oversight mechanisms. This form of institutional shielding is not unique to religious organisations but is amplified by their moral legitimacy and cultural embeddedness. Ignoring these dynamics risks underestimating the full landscape of economic institutions shaping development outcomes in highly religious societies.

6.3. Policy-Relevant Externalities of Religious Economic Activity

The findings also suggest the presence of policy-relevant externalities associated with large-scale religious economic activity. These include household-level financial vulnerability linked to persistent giving obligations, as well as macro-level effects on capital allocation and sectoral composition. Importantly, these externalities arise not from religious belief per se, but from the organisational scale and economic practices of religious institutions operating within weakly regulated environments.

Recognising these externalities does not imply the withdrawal of religious actors from development processes. Instead, it points to the need for more analytically inclusive policy frameworks that acknowledge religious institutions as part of the broader economic ecosystem. Transparency, reporting standards, and integration into existing data systems may improve the capacity of policymakers to assess development trade-offs without infringing on religious autonomy.

6.4. Implications for Political Economy and Development Theory

More broadly, the results contribute to political-economy debates on institutions and development by demonstrating that economically significant organisations can persist outside conventional regulatory and analytical categories. Religious institutions exemplify how non-state actors can shape incentives, redistribute resources, and influence development trajectories through mechanisms that standard economic models often overlook.

By incorporating religious institutions into institutional analysis, the REC framework extends existing theories of development beyond state-market dichotomies. It underscores the importance of examining how culturally embedded institutions interact with economic incentives, particularly in contexts where formal institutions are weak and informal authority structures remain influential.

6.5. Gendered Impacts and Ethical Considerations

Religious economic activity also intersects with gender dynamics in ways that can influence household decision-making, financial vulnerability, and labour conditions. In many Sub-Saharan contexts, women disproportionately bear the burden of religious giving obligations and unpaid labour contributions to churches and mosques. This can exacerbate intra-household inequality and limit women's access to savings and productive investments.

Moreover, ethical considerations arise around financial coercion, pressure to give as a sign of faith, and the informal nature of labour contributions within religious institutions. These dynamics, while often culturally sanctioned, raise important questions about economic agency, autonomy, and the role of religious authority in shaping economic behaviour.

7. Policy Implications

The findings of this study have several policy-relevant implications for development planning in highly religious societies. These implications do not arise from religious belief itself, but from the economic scale, organisational structure, and regulatory positioning of religious institutions within national economies.

First, the results suggest a need to strengthen transparency and reporting standards for large religious institutions that mobilise substantial financial resources. As significant non-state economic actors, such institutions influence capital flows, asset accumulation, and labour allocation, yet often operate outside conventional financial reporting frameworks. Introducing proportionate transparency requirements such as basic financial disclosures for large religious organisations could improve policymakers' ability to assess economy-wide resource allocation without infringing on religious autonomy or freedom of worship.

Second, the findings highlight the importance of incorporating religious economic activity into national accounts and development diagnostics. Current statistical systems typically capture state, market, and household activity but exclude economically significant religious institutions. This omission constitutes an institutional blind spot that may distort assessments of savings behaviour, investment patterns, and sectoral development. Integrating religious economic activity into satellite accounts or development indicators would allow for a more comprehensive understanding of resource mobilisation and its implications for structural transformation.

Third, the household-level results point to the value of strengthening financial literacy and household resilience frameworks in contexts characterised by high levels of religious giving. Persistent financial obligations to religious institutions may increase household vulnerability, particularly among low-income groups. Policy interventions aimed at improving savings behaviour, risk management, and financial planning can help mitigate these opportunity costs while respecting individuals' voluntary participation in religious life.

Taken together, these policy implications underscore the importance of recognising religious institutions as part of the broader economic ecosystem. Rather than positioning religious actors as either substitutes for or obstacles to development, the findings suggest the value of analytically inclusive frameworks that account for their economic functions, externalities, and interactions with formal institutions.

8. Limitations and Causality Discussion

While the paper presents robust associations between religious economic activity and development outcomes, causality cannot be definitively established due to the observational nature of the data. Reverse causality may exist; for example, households with lower savings may be more inclined to participate in religious giving, or less industrialised economies may experience stronger religiosity for social support. These limitations are consistent with much of the empirical literature on institutions and development using cross-country and survey data.

To address these concerns, the study employs several strategies:

- **Lagged Variables:** Using previous period measures of religiosity and giving to reduce simultaneity.
- **Country Fixed Effects:** Controlling for unobserved heterogeneity across countries.
- **Instrumental Variable (IV) Logic:** Potential instruments include historical mission exposure, regional proximity to early religious centres, and colonial religious infrastructure, which influence current religiosity and institutional strength but are plausibly exogenous to current household savings and domestic capital formation.
- **Robustness Checks:** Subsample analysis, alternative dependent variables, and exclusion of outliers.

Despite these precautions, causal inference remains limited. Future research should explore natural experiments, longitudinal panel data, or exogenous shocks to religious participation to more definitively establish causal mechanisms.

9. Conclusion

Religious institutions in Sub-Saharan Africa are significant economic actors influencing household welfare and national development outcomes. The REC framework provides a systematic lens to analyse these effects. Future research should quantify religious economic activity more precisely and explore regulatory approaches that respect spiritual authority while enhancing economic accountability. Recognising religious institutions as economic actors offers new opportunities for integrating informal authority structures into development analysis without undermining their social or spiritual roles.

Compliance with ethical standards

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Disclosure of conflict of interest

The author declares that there is no conflict of interest.

Statement of ethical approval

This research used secondary data from publicly available household surveys and development databases. No primary data collection involving human subjects was conducted; therefore, ethical approval was not required.

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