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ABSTRACT

Studies on religion and economy have attract many researchers. This paper is aim to observe how religion influence economy by seeing from microeconomic and Islamic perspective. Moreover, it elaborates the role of religion for economic performance. The finding indicates that social phenomena in the community can be understood by seeing the individual behavior as part of microeconomic level. Individual consumer sees religious expression as an economic good that must compete with other goods. While from Islamic perspective, economic activities should provide a better concept according to the Quran, Sunnah and hadith. Religion has a role to enhance economy by shaping individual values and attitudes particularly in terms honesty, work ethic and trust.

Keywords Religion, Economic performance, Islam and individual

1.INTRODUCTION

Religiosity is a subject that influence economic attitude and activities of individuals, group and societies. Iannaccone (1998) states that studies on religion enhance economy at several levels which indicates that economics models can be modified to address queries about belief, norms and values. Tu et al., (2011) claim that the relation between religion and economic performance have been long considered by economist. The study found that development and institution are characterized by mutual feedback mechanisms. Demand for religion may partly be determined by economic factors and development.

Past studies on religion and economic linkage has received wide empirical attention (see Barro & McCleary, 2003 ;Guiso, Sapienza, & Zingales, 2003; Daniels & von der Ruhr, 2005; Noland, 2005 ; Belloumi, 2008 and Autiero & Vinci, 2016). Their works conducted on

cross countries and developed countries in the scope of macroeconomic. Few literatures done to examine the association between religion and economy in micro level such as individual (see Tu, Bulte, & Tan, 2011; Renneborg, 2012). They believe there is a mutual feedback between development and institution. Informal institution such as religion is an important driver for economic development. Understanding social phenomena can be understood through understanding individual behavior.

From these background, this paper is aim to cast a light to microeconomic level focusing on what is religion from microeconomic perspective and religion and economy from Islamic perspective. Besides that we want to explore what is the role of religion for economic performance. The remaining section is organized into four parts. Section two elaborates the meaning of religion from microeconomics perspective, religion and economy from Islamic perspective. Section three we observed the role of religion for economic performance. The last part is concluding remarks and bibliography.

2.1.RELIGION FROM MICROECONOMICS PERSPECTIVE

Religion is aspect that shapes people's values that will influence how individual acted and directly affects the way the societies operate. Economist namely Hayek, Popper and Watkins mentioned that the social phenomena can be understood through understanding individual action. All social phenomena and the function of all social institution should always be understood from decision action and attitude of human individuals.

Previous study by Chiswick (2010) shows that causations between religion and economic activities can runs both ways where religious identity effects various economic activities and vice versa where the economic incentives provide influence on religious observance and institution. The study claims that prices and incomes are powerful incentives

that drive individuals' action and human capacity for being a costly behavior including costly religious structures.

As a part of microeconomics, individual consumer sees religious expression as an economic good that must compete with other goods for a share of resource budget. The goods is intangible thing which people express as a preference by their willingness to spend time and money on its acquisition. It is not a good that can be purchased in a consumption-ready form. It belongs to the category of economic goods that must be self-produces by each individual. As a consumers they may buy goods and services that contribute to this end, however they have to spend their time of using it in a way that creates a religious experience.

The theological aspect of any particular religion can be express as its technology, a set of blueprint for behaviors, expenditures and beliefs that will produce the desired results. It provides consumer a production function that convert time and money which is labor and capital into output that we called "religious experience". As a spiritual aspect religious experience is the central quality that effectively define an experience of religion.

Azzi and Ehrenberg (1975) (cited by Chiswick, 2010) present that religion is best thought of as a bundle of three distinct but inter-related goods namely as follows :

1. Spirituality : The desire for primal human impulse that find some sort of expression in every society from the earliest time to the present.
2. Religion always seems to have a collective dimension, an individual "joins" or "belongs to" a particular religion and observes various rituals as a "member" of this group
3. Religion addresses the dilemma of human mortality, the frightening inevitability of death and its implications for the meaning of life. It refers to the "afterlife good," although not every religion speaks to this need by positing an explicit life after death.

In brief the perspective of religion from microeconomics sees that religion can be express as an economic good that must compete with other goods. Besides that it is a part of human behavior development through religious experience by knowing about human spirituality and the dilemma of human mortality.

2.2.RELIGION AND ECONOMY FROM ISLAMIC PERSPECTIVE

Islam sees religion as guidance of life based on the Holy Qur'an and the Sunnah of Prophet Muhammad (SAW). The Holy Qur'an is the final revelation from Allah to mankind was revealed by Prophet Muhammad (SAW). Sabjan (2009) mentions that The Holy Quran is not merely to provide divine guidance to worshipping the One and Only God but also to provide extensive information and references concerning religion, religious belief, norms and basic principles relation to various aspects of life. The second source of Muslim guidance to study religion is the Sunnah of the Prophet Muhammad (SAW) as the last messenger of Allah. Sunnah has been defined by scholars "a word spoken or an act done or a conformation given by the Holy Prophet Muhammad (SAW)."

Economy from Islamic perspective is the subject that study human behavior in relation to multiplicity of wants and scarcity of resources with alternative uses. As a result economy is aim to maximize falah for the human well-being both in the present world and the hereafter (Hasan, 2011). The study emphasizes that Muslim should belief that there is life after death in the hereafter and it is permanent and last forever. As stated in QS An-Nahl verse 97 :

"Allah has promised that whosever dose righteousness, whether male or female, while he is a believer, will be surely given a good life (hayyatan thayyiban) not only in this world but also in the hereafter".

The verse exemplify that Muslim who do good deed such as being honest, trusty and righteousness will be provided with a good life in the world and hereafter. Hence, the performance of a Muslim in a community will surely influence others in the society.

Islam established the foundations of its economic system fourteen hundred years ago and its principles are deemed straightforward and simple (Sharif, 2003). The simple and straightforward system has been doubted by economist namely Timur Kuran (born in 1954 – present). He claims that Islamic Economic system has less power and not suitable in the present time not like mainstream economics, it is only suitable for small community (Kuran, 1983). In reality many countries apply Islamic economy in the system such as the existence of Islamic banking and financial system and halal industry in developed and developing countries.

The role of Islam for economy should transfer human behavior into a better creatures. As Allah has set human's responsibility as leader or Khilafah in this world. Thus the system of Islamic economic should provide a better concept as well as practical guideline on how to perform economic activities which are in line with the Quran, hadith and other Islamic norms and values. Zaman (2003) provides an example that the principles of spending for the sake of Allah is an initial and tentative beginning of Islamic economic. The spending of excess wealth for the sake of Allah has received tremendous emphasis in Quran and hadith. An extremely popular book entitled *Fazail-e-Sadaqat* elaborated about Quran verses and hadith and explain them detail in order to persuade people to spend in the way of Allah.

In conclusion, religion and economy in Islam is mutual element to enhance a human behavior to be a better individual according to the Quran, Sunnah and hadith. Allah has set that every human being is a leader or Khilafah in the world. Thus the performance of Islamic economic should provide a better concept for economic activities which is benefit the society.

2.3.THE ROLE OF RELIGION FOR ECONOMIC PERFORMANCE

Religion and economy are two subject that relate to each other. Wang & Lin (2014) reports religion play a meaningful role in economic performance where it has influence on political preference, human capital and work ethic. The study observed China who face income disparity, environmental pollution and official corruption. In the Western countries such as the United States and Canada, Protestantism is virtue as a hard worker and has allowed the country to build up a large saving base which provide the capitalist with funds needed to increase the investment and capital stock (Grier, 1997).

As part of economy, human capital is the essential thing for development. A person born with certain religion and receive religious education will get a better skills, knowledge, memories specific to a particular religion, denomination or perhaps even congregation. Chiswick (2010) reported the more religious human capital a person has, the more efficiently he or she can obtain a religious experience from any given amount of resources.

Guiso et al. (2003) says that different religions provide different effects on people's attitudes. The work sees that participation to religious service increases trust only among Christians. It has zero effect or even negative effect for other denominations. Within the Christians family, the effect is stronger for Protestant than for Catholic.

Religion is closely related to social capital and culture (see Guiso et al., 2003 and Tu et al.,2011). Religiosity build bonds among people in a communities, facilitates the accumulation of trust, conventions and shared norms, and introduces mechanism for enforcement of desirable behavior.

Each religion has its own individual attitude according to their belief. Uygur (2009) reviews in his study that there are five character emerged as sign of religious behind pious business people's action such as hard working, good will (intention), responsible, bounty or benevolence and balance in one's life. He observed Turkish business people using semi-

structured qualitative interviews with 32 Turkish SME owner managers. The result indicates that the new Islamic discourse in Turkey provides moral energy exclusively for the religious business people in terms of influencing and encouraging entrepreneurial activities. Hence, religion has role to enhance economic performance. By promoting religion it can shape individual values and attitudes for economic performance particularly in terms of honesty, work ethic and trust.

For other religion beside Islam Tu, Bulte, & Tan (2011) and Renneboog (2012) found that religious belief has positive relationship for economic performance. Tu, Bulte & Tan (2011) proves that the intensity of religious beliefs and household income indicates a positive relation in rural Tibet which most of the populations are Buddhist. Similarly in Netherland for Christianity beliefs, Renneboog (2012) emphasizes that religious household is more likely to save. The study investigates religious and non-religious household using Dutch survey data. The Catholic attached to more importance to thrift and are more risk averse while Protestants combine a more external locus of control with a greater sense of financial responsibility.

Beside that religiosity ties people in the community hence it will influence individual attitude towards others. Burch-brown & Baker (2016) indicate that religious communities promote or reduce prejudice amongst their member. Their influence will depend on the specific beliefs, attitudes and practices of the community and their interaction with the broader society in which they are based. From the above studies we conclude that religion has a role to enhance economy by shaping individual values and attitudes particularly in terms of honesty, work ethic and trust.

3. CONCLUSION

Religion is an aspect that shape human's value which will influence how individual acted in the society. Social phenomena in the community can be understood by seeing individual behavior. As part of microeconomics, individual consumer sees religious expression as an economic good that must compete with other goods for a share of resource budget. The objective of the paper is to observe the meaning of religion from microeconomic perspective, religion and economic performance from Islamic perspective. Furthermore to explore the role of religion for economic performance.

The perspective of religion from microeconomics sees that religion can be express as an economic good that must be compete with other goods. Besides that it is part of human behavior development through religious experience by knowing about human spirituality and the dilemma of human mortality.

Religion and economy in Islamic perspective is a mutual element which can enhance a human behavior to be a better individual according to the Quran, Sunnah and hadith. Allah has set that every human being is a leader or Khilafah in the world. Thus, the performance of Islamic economic should provide a better concept for economic activities which is benefit the society. Lastly we can say that religion has a role to enhance economy by shaping individual values and attitudes particularly in terms honesty, work ethic and trust.

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