

# Religion, Culture and Entrepreneurship in India

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## Summary

Scholars have long speculated that religious beliefs and practices significantly influence the economic behavior of societies. However, statistical analysis had not been applied to empirically establish the relationship until recently. New research in India analyzes the effects of religion and culture on an individual's choice to engage in entrepreneurial activities. Hinduism and its lingering caste system seems to engender a focus on casual labor for individuals under its religious influence, while Muslim and Christian populations are more likely to start their own small enterprises. These findings indicate the need for innovative social programs and policies to mitigate the effects of religious perceptions in order to foster entrepreneur-led economic growth.

## Linking Beliefs to Economics

A person's decision to engage in entrepreneurial activities can be attributed to a broad spectrum of individual-specific characteristics, ranging from risk aversion, to personality attributes, education and human capital, and unemployment. Religious beliefs are usually not linked to economic activities such as entrepreneurship; however, scholars dating back to Adam Smith and Max Weber assert that religion plays a fundamental role in shaping economics. It has been argued that values and attitudes are as much a part of the economy as its institutions and policies.

As a home to a number of influential religions, India provides an interesting context in which to evaluate the relationship between religious culture and economic behaviors. The main religions of India include Hinduism, Buddhism, Sikhism, Islam, Christianity, and Jainism. Compared to the other main religions of India, Hinduism provides little encouragement to change one's situation in terms of material wellbeing. According to Hinduism, the purpose of life is to attain liberation and freedom from re-birth and the chain of cause and effect, which means living to understand reality and not for the pursuit of material things. It is also important to note that Buddhism and Sikhism have historical links to Hinduism, and therefore have similar belief systems.

The *Varna* or the caste system is another aspect of Hindu culture that shapes individuals' values and beliefs. According to ancient scripture, Hindus were classified into four major castes—*Brahmins* were the intelligentsia and spiritual leaders of the community, *Kshatriyas* were kings and noblemen, *Vyshyas* were traders and businessmen, and *Shudras* encompassed all other

occupations. Initially, a person's occupation determined their caste, and then this caste affiliation was passed on to future generations. Thus, the *Varna* system became a major influence on occupational choice among Hindus for centuries to follow. Although the caste system was formally abolished by law in 1950, perceptions of the caste system still exist at a cultural level and continue to influence occupational choice.

## **Impediments to Economic Growth**

Societies strive to help people move forward by promoting opportunities for economic and community development; however, cultural norms can present barriers to these goals. Current research links entrepreneurial activities of people in India to their religious and social affiliations. The results of recent research indicate that the culture of India's caste system combined with the religious tenants of Hinduism may discourage individual economic behavior, specifically in their decision to engage in entrepreneurial pursuits. While it is not this brief's focus to address whether India or any other country should have more or less entrepreneurialism, many scholars assert that entrepreneurial activity is central to economic growth in the modern economy. Therefore, the importance of understanding the relationship between religion and an individual's economic decision-making process helps societies unveil potential opportunities for growth and development.

Although Indian law no longer enforces the *Varna* System of caste stratification, its influence remains prevalent in the consciousness of modern Hindus. This influence is the strongest over the "backward classes," who are typically less educated and more inclined to maintaining traditional cultural norms. The caste system belief that only *Vyshyas* (the merchant class of the caste system) are suited and intended to engage in business appears to cause statistically significant numbers of Hindus in lower classes to avoid entrepreneurial pursuits. Such thinking may also be rooted in the Hindu concept that an individual should do his duty as dictated by the scriptures and should not forsake spiritual liberation to focus on material pursuits.

Alternatively, religions such as Islam and Christianity emphasize a spiritual redemption that is attainable while leaving room for worldly affairs. Those religions that foster individual responsibility and activism beyond their spiritual foundations are said to have "transformative potential" and tend to encourage social openness and flexibility. It is thought that religions with greater transformative potential tend to facilitate entrepreneurial behavior, while religions with less transformative potential such as Hinduism do not.

## **Empirical Research**

A large-scale data set of nearly ninety thousand workers was used to conduct an empirical analysis in 2007 on the effects of religion and caste membership on entrepreneurship. The results of the analysis reveal that Hinduism, as well as belonging to a lower caste, negatively influences an individual's decision to become an entrepreneur. This research suggests that Hindus in India are 8.6 percent less likely to be self-employed compared to individuals of other

religions, while individuals of backward classes are also less likely to be entrepreneurs. Muslims are 7.9 percent, Christians 2.9 percent, and Jains 27 percent more likely to be self-employed than Hindus. Individuals of other minor religions and those without religion are 13.4 percent more likely to be entrepreneurs compared to Hindus. Buddhism and Sikhism have historical links to Hinduism, and study reveals similar effects for all three religions (see Figure 1).

In a comparison of both caste and religious affiliation, findings suggest that individuals who are both Hindu as well as a member of a backward class are less likely to be self-employed; those who affiliate themselves with the Scheduled Caste are 14 percent less likely to be self-employed, and those affiliated with the Scheduled Tribe are 19 percent less likely to pursue entrepreneurial interests (see Figure 2). The findings of this study suggest that class structures are binding regardless of political enforcement and influence occupational choice, particularly with respect to becoming an entrepreneur.

Figure 1: Entrepreneurship and Religion

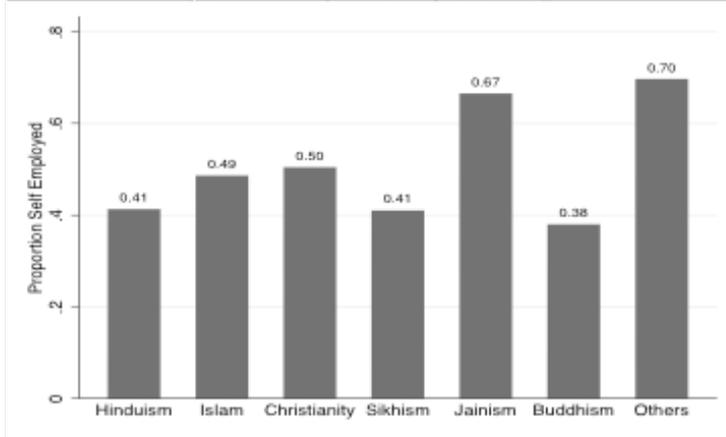
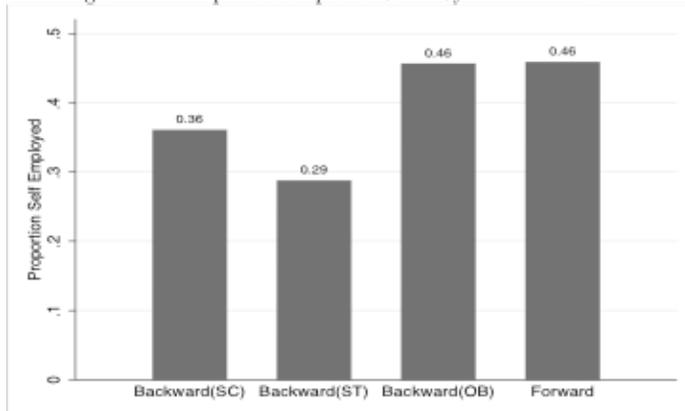


Figure 2: Entrepreneurship and Caste System in Hinduism



Note: Individuals of backward classes belong to one of the three categories: Scheduled Castes (SC), Scheduled Tribes (ST), and Other Backward Classes (OB).

### Contemporary Effects of the Caste System

While the caste system was abolished in 1950, its effects on people's perceptions in India persist. The typical path of a "backwards class" individual entering the workforce is often an under-considered drift towards casual labor employment. This path is reinforced by religious influences and attitudes about the appropriate livelihood for specific classes of people. The effects of these attitudes are more pronounced for the less educated underclass. A son of a modern *Brahmin* family is less constrained from entrepreneurship by expectations of becoming a spiritual leader, while a son of a *Dalit* family is more likely to follow religious tradition into a life of labor as an employee. A broad range of factors creates this social conditioning, but research shows that a person's religious understanding is a significant factor in the decision to become an entrepreneur.

### **Fostering an Environment of Equal Opportunity**

In the current fast-paced, knowledge-based economy, India and other developing countries cannot afford to have social structures impeding their potential for growth and development. While Hinduism's emphasis on higher concerns is admirable and likely has many positive social consequences, its effect on people's propensity for entrepreneurialism should be considered. If Indian policymakers decide that encouraging entrepreneurialism is an important social goal, they should examine the effects of religion demonstrated here and determine contextually appropriate responses to address those effects. While it is not feasible to diminish the influence of Hinduism in Indian society, it may be possible to implement policies and programs that can counteract the specific effects it may have on economic decision-making.

Policy tools can be used to create an environment of equal opportunity for all citizens. Such strategies may include policies that encourage small enterprise development in "backwards classes" through a targeted approach to education and training. The Hindu philosophy of living a life of spiritual progress is not inherently opposed to living as a self-employed person. Societies seeking to encourage entrepreneur-driven growth should acknowledge the possibility that segments of their population may be hobbled by cultural and religious constraints. In response, it is up to policymakers to generate innovative social programs to mitigate those effects and foster economic growth.

***For more information on the 2007 study "Religion and Entrepreneurship" contact:***

[http://zs.thulb.uni-jena.de/servlets/MCRFileNodeServlet/jportal\\_derivate\\_00079982/wp\\_2007\\_075.pdf](http://zs.thulb.uni-jena.de/servlets/MCRFileNodeServlet/jportal_derivate_00079982/wp_2007_075.pdf)

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