



KAUTILYA
SCHOOL OF
PUBLIC POLICY

Issue **Brief** Series



“The Economic Case for Religious Freedom in India”

Issue Brief: IB-2025-29

Submitted By: Saeed Walkikar (MPP Cohort, 2024-26)

Under the Supervision of: Dr. Faizan Mustafa, Visiting Instructor at Kautilya School of Public Policy

Cite this Report as Walkikar, S. (2025). The Economic Case for Religious Freedom in India. [online]. Available at: <https://kspp.edu.in/issue-brief/the-economic-case-for-religious-freedom-in-india>

The Economic Case for Religious Freedom in India

Abstract

This issue brief argues that religious freedom is not only a constitutional right but also a catalyst for economic development in India. Drawing from theoretical and empirical evidence, it demonstrates how faith-based values, networks, and philanthropic traditions enhance human capital, social cohesion, and welfare delivery. By examining four major Indian religions, the paper highlights how moral frameworks, work ethics, and charitable institutions contribute to productivity and equity. It concludes that depoliticizing religion and preserving its spiritual essence can strengthen democracy, foster trust, and create the inclusive social foundations necessary for sustainable economic growth in India.

Introduction and Literature Review

India is one of the most rapidly developing countries in the world. It grew by an impressive 8.2% in the Financial Year 2023-24. Both the services industry and manufacturing industry have done well with the manufacturing sector growing by 9.9%. However, inequalities have been persistent in India's growth story. India has maintained a Gini index of around 35 for the past two decades. Malnutrition remains a problem with 35% of children under 5 years of age suffering a lack of adequate nutrition (World Bank, 2024). This warrants an evaluation of what we define as development. Amartya Sen's idea of development relies on the expansion of substantive freedoms. The process of development is not just the material growth of the economy, but also the reduction of unfreedoms like poverty, hunger, or joblessness (Sen, 2000). The lack of substantive freedoms is directly related to economics. Human rights and freedom are not just an outcome of development but also an instrument of it.

This paper argues that religious freedom and the free practice of religious spirituality facilitate economic development through the cultivation of human capital, social cohesion, and philanthropic activities. To achieve this, the paper aims to map this spiritual element of religion that might be distinct from the conventional, political sphere. Spiritual components might include moral and philosophical values with which, a religious individual identifies.

An evaluation of the issue of development leads us to the question- How do we create in an unequal society, some semblance of inclusion? Is the Indian state equipped to address this disparity in economic growth? Karthik Muralidharan writes about the ways in which India lacks the state capacity to resolve such issues. The state is failing to deliver public goods like education and healthcare. The reason, according to Muralidharan, is a weak state. He presents an interesting analogy for the same- “Imagine the Indian state as a vehicle in which we are all traveling towards a higher quality life. Unfortunately, at present, the vehicle is a slow-moving, overworked car from the 1950s.” (Muralidharan, 2024). The long and complicated process of building state capacity is not sufficient for addressing urgent problems like poverty, hunger, and disease.

Another concern for the State is the nature of development. Prime Minister P.V Narasimha Rao, one of the pioneers of economic development, gave the idea of ‘development with a human face’ (Narendra, 2020) This lays emphasis on the need to protect the weaker sections of society in the process of development. However, it also highlights the human component of development. Substantial development can be achieved by cultivating human capital. Adam Smith believed that the free practice of religion is a way to enhance the value of human capital. It acts as a moral enforcement mechanism for developing societies. Religious societies give faith-based reputational signals to propagators of economic activities like money lenders or employers. Hence, religion acts as a catalyst for accommodating social capital. It builds networks that can be conducive to economic development.

One of the most important ways in which freedom of religion contributes to economic development is through religious networks and institutions. Smaller religious groups contribute to higher economic integration of communities. They create institutional structures that are more decentralized and horizontal. Such networks build a sense of trust in a community, motivating individual members to work for the common good (Karaçuka, 2018). As a consequence of this, developmental organizations that traditionally have an agnostic attitude toward religion, are now including Freedom of Religion in their programming. For example, the World Bank has recognized the strategic value of Faith-Based Organizations (FBOs) for “advocacy and partnership in key development issues.” (World Bank, n.d.).

There are a number of ways in which religious freedom can impact development. Anthony Gills gives theoretical models for the same. Some of these ideas are relevant in the Indian context and will be further explored in the following sections.

Religious Economy Model: Any religious activity that involves money is an economic activity as well. Hence, Freedom of Religion encourages increased economic activity, subsequently contributing to economic growth. An NSSO survey concluded that the temple economy in India is worth Rs 3.02 lakh crore or about \$40 billion and 2.32 percent of the GDP (Sarkar, 2022). These numbers are exclusive of other religion-related economic activities like building places of worship, religious institutions charitable trusts, etc.

Religious Ideas model: Some ideas associated with religion can be conducive to economic development. This is because most religions are interlinked with human needs which are a concern for the discipline of economics. Some ideas will be explored in the next section.

Civic Skills Model: Religious activities develop ‘human capital skills. Useful interpersonal and organizational skills like leadership, communication, etc are developed through the free practice of religion. This helps societies further cultivate their pool of human capital.

Charitable Giving Model: Charity and philanthropic activities by religious groups facilitate the process of economic development by allocating resources in a more equitable and just way.

Moreover, freedom of religion is tied with other important civil rights and moral liberal democratic values. This is the context within which the most substantial economic development can occur (Gill, 2013).

Religious Ideas

Most religions provide their followers with a moral framework within which they should conduct themselves. These frameworks are adopted as religious practices that are reflected in the daily lives of those who follow them. Some of these practices and beliefs can be conducive to economic development. This section will look at some of these beliefs in four of the biggest religions in India- Hinduism, Islam, Christianity, and Sikhism (Kramer, 2021).

Recurring themes of Employment, Work Ethic and Labour Rights, Finance, Credit and Economic Ethics, and Welfare and Community Development were found across these religions.

Employment, Work Ethics, and Labour Rights

The Hindu concepts of *Dharma* and *Artha* are some of the earliest forms of economic activity guided by religion. In ancient India, they were used to guide Hindu rulers in conducting statecraft. However, for contemporary followers of Hinduism, these concepts

translate into a strong ethical sense of duty toward their family and society. This helps such believers contribute to efficiency and productive activities in society (Gautam, 2016).

Islam considers labour to be a virtuous activity. Begging is discouraged and honest work is promoted in Islamic beliefs. Moreover, Islam promotes labour rights and fair compensation to workers. This is illustrated through multiple instances. This gives believers moral guidance to conduct themselves in an economy (Khan, 2014).

A theological conception of work finds that work is connected to dignity. It is an expression of human purpose, in addition to being related to the goodness of God. The dignity of work reflects the nature of the Creator himself. This gives a spiritual dimension to the concept of work, making it more appealing (Turnbull, 2021).

Sikh philosophy does not discriminate based on caste or gender. Renouncing the responsibilities of the household is not permitted. Earning by gambling, racketeering, cheating, or other unfair means is prohibited. Hardworking and honest livelihoods are encouraged (Singh, 2016).

Principles that teach hard work, dignity of labour, and honesty in work life promote active participation in economic activities. It can encourage believers to join the labour force and realize their potential in terms of efficiency. This helps society optimize its human capital and leads to higher productivity. A sense of responsibility and discipline on an individual level is essential for development on a national level. It also reduces dependency and helps individuals contribute to the economy in meaningful ways. Hence, religious ideas of work ethic, duty and responsibility creates individuals that become functional and productive members of society, contributing to economic activities and the subsequent growth.

Finance, Credit, and Economic Ethics

Devdutt Pattanaik's analysis of Vedic and Puranic literature reveals undertones of profit and wealth maximization. Themes of debt repayment to ancestors and returns on investments are dispersed in Hindu philosophy and mythology (Moodie, 2020). Some principles in Kautilya's *Artha Shastra* still guide financial thinking in India. Popular books like Radhakrishna Pillai's *Corporate Chanakya* and *How to Become Rich* by Devdutt Pattanaik are evidence of popular Hindu thought containing themes of finance.

Islamic banking practices prohibit *Riba* or the charging of interest on loans. This makes access to credit much easier. Higher availability of credit leads to increased business activities and encourages entrepreneurial endeavours, leading to increased economic activities that can benefit society (Ahmad et al, 2014).

Similarly, for Christians, lending is a moral concern. The Bible commands both payment and forgiveness of loans. Usury or charging excessive interest is prohibited by theological teachings. It also disapproves of burdensome collateral (Schneider, 2020).

Sikhism discourages the accumulation of wealth. It encourages self-employment and investment into business activities in the form of capital. This belief is guided by the principle of sharing and sincerity. However, in the context of economic development, it mobilizes resources within the economy so that they can be used productively and optimally (Singh, 2016).

Money is one of the most fundamental components of an individual's life. A religious individual who holds religious beliefs is likely to approach their finance with a sense of duty and virtue. This benefits the economy because it helps society to allocate monetary resources in the best way possible. Moreover, access to credit allows individuals to invest in entrepreneurship, education, infrastructure, etc. An efficient financial system

converts savings into investments by mobilizing them. This encourages business opportunities and subsequently, economic development.

Welfare and Community Development

Hindu teachings have manifested in the form of social reform movements like the Arya Samaj and Ramakrishna Mission. Hindu philosophy teaches compassion and mutual aid. Moreover, concepts like *karma* and *moksha* lead to the belief that acts of morality are beneficial to both the individual as well as society. This has given rise to a plethora of Hindu organizations that conduct a variety of welfare activities. Many temples and festive traditions in Hindu culture focus on providing free meals, clothing, etc to the needy (Kumar, n.d.). The conception of charity was first given in the *Rigveda* which is one of the oldest scriptures of Hinduism. *Narayan Sewa* is the idea of serving God by serving the poor (Bano & Nair, 2007).

Islam promotes a strong sense of community among its followers. Community prayers and welfare services are indicators of the same. Many activities in Islam are done in congregations, promoting a sense of responsibility toward the society in which they live. Moreover, *Zakat* is one of the five pillars of Islam. It is the right of the poor to the wealth of the rich. The *Surat-at-Tawab* is a passage in the *Quran* that says that the primary aim of *zakat* is to eliminate poverty from society (Bano & Nair, 2007).

Christian beliefs of ‘Love thy Neighbour’ and ‘Do good unto all men’ promote a sense of community and responsibility toward the common good (Overmiller, 2024). Moreover, Christian communities are likely to establish formal organizations to mitigate problems that are considered sins. Examples of this could be institutions for destitute women or abandoned children (Bano & Nair, 2007).

Sikh Gurus propagate the principles of charity and social welfare. This includes free food, board, and medical services to anyone without discrimination. It also provides support during emergencies. These beliefs are widely practiced by the Sikh population (Singh, 2016).

Welfare and community activities fulfil the basic needs of people that the Indian State cannot address. These range from the provision of food, clothing, healthcare, education, and many other public and welfare goods. This creates a population that is healthier and more productive. It makes people more capable of joining the workforce. It improves the per unit productivity of Human Capital which is a prominent economic concern.

Preaching in Practice

Among the beliefs that were discussed in the previous sections, the last one, welfare and community service, has the most direct and tangible link to economic development. Welfare activities create a more equitable distribution of resources. It mitigates social unrest and creates a stable environment for growth. It fills the gap in welfare that the state is not able to cover. The primary way in which religions do this is through philanthropic activities and Faith-Based Organizations.

There is evidence that the principles of morality and virtue, cultivated by religion, translate into increased welfare activities. A national survey conducted by Sampradaan Indian Centre for Philanthropy found that 96% of upper-class and middle-class households in Urban India donate for charitable purposes. Of these, 87% give to religious organizations. It was found that the most important reasons for donations were feelings of compassion, the joy of giving, and religious beliefs and practices (Viswanath & Dadrawala, 2004).

Religious organizations contribute to welfare in more meaningful ways. Sikh *Langars* all across the world serve free meals without discrimination. Just the Golden Temple *Langar* serves 50,000-1,00,000 people each day (Times of India, 2023). This provides

essential nutrition to a large number of people, enabling them to function as active members of society. Similarly, Hindu *Bhandaras* are regularly in the practice of providing food to the poor and needy.

India's public health expenditure is just 1.15% of its GDP. Healthcare is a crucial component of a well-functioning society. However, more than half of the healthcare sector in India is comprised of private entities. Christian healthcare networks like the Christian Medical Association of India (CMAI), Catholic Health Association of India (CHAI), and Emmanuel Hospital Association (EHA) have a total of more than 3,790 institutions, 85,000 healthcare professionals, and serve over 21 million patients (CCIH, 2021). Ayurvedic clinics and Islamic organizations also contribute to improving healthcare although data for that is limited.

Education is another crucial but underfunded sector in India. Currently, there are around 55,000 christian schools that educate more than 25 million students. Christian educational institutions were some of the first establishments of formal education in India. They still provide subsidized education to millions of Indian children (Jain, 2024). Islamic practices have a widespread impact on education in India. A ban on Madrasas in Uttar Pradesh alone affects 2.7 million students and 10,000 teachers in 25,000 madrasas. While the education provided in such institutions has been a topic of debate, one cannot deny its role in educating children who otherwise would not have had the opportunity to get an education (Sharma & Das, 2024).

History has multiple instances of Sikh, Muslim, and Christian religious groups providing humanitarian assistance during times of crisis. A prime example was during the COVID crisis when organizations like Sikhs United, Caritas International, and Muslim Aid provided worldwide support to various vulnerable communities. These organizations were

motivated by religious faith and helped mitigate the problem where governments were lacking (PaRD, 2016). In India, during the pandemic, believers donated Rs 16.600 crores in cash to religious organizations (Bhattacharjee, 2023).

Sriya Iyer, in her book, *The Economics of Religion in India*, examines how social services provided by religions social services provided by religions, can bring religious cohesion as well as facilitate economic development. The book draws from empirical evidence collected from a robust data set of religious institutions. The data shows that religious organizations can do substantial work for welfare and betterment of society, motivated by religious principles (Iyer, 2018).

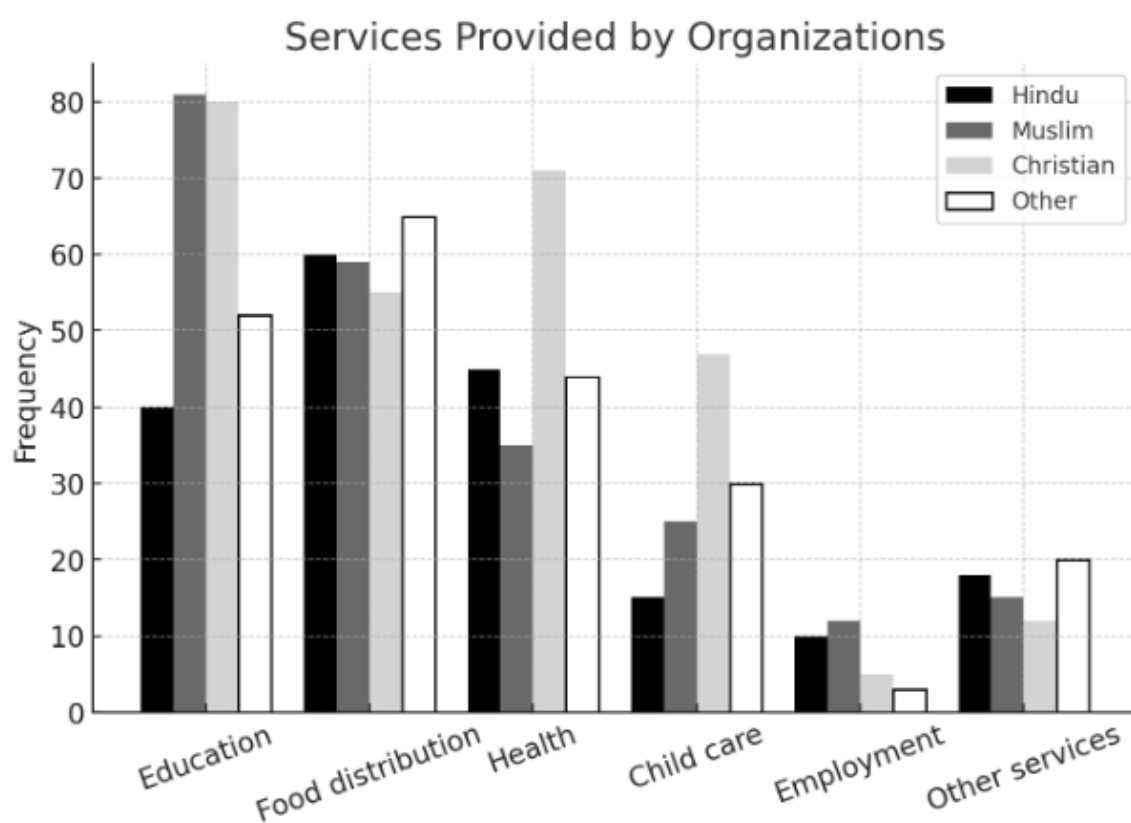


Figure 1: Percentages of Organizations Providing Types of Non-Religious Services, by Religion

Denomination	Virtuous thing to do	Others do not provide	In response to provision by other orgs	Requirement of the area	Other
Hindu	174	42	69	70	0
Muslim	150	43	53	63	0
Christian	6	1	1	1	0
Other	15	2	13	15	0
Total	345	88	136	149	0

Table 1: Number of Organizations Reporting Selected Reasons for Food Distribution Services

Note for Table 1 and Figure 1: Adapted from The Economics of Religions in India by Sriya Iyer (2018).

However, as we have already discussed, the benefits of these activities have not translated into equitable economic development in India. Disparity and poverty still persist. This is because religion has been separated from religiosity. It has become a display of power. The spiritual component, that we evaluated in this paper, has been divorced from religion. To guarantee true Freedom of Religion, religion needs to be kept out of the sphere of politics. Religion today is failing as a moral enforcement mechanism. Subsequently, the potential of religion to enhance economic development remains out of reach for India.

Conclusion

Fostering pluralism, trust and social cohesion has to go hand in hand with economic development. Freedom of Religion is an important way to facilitate this process. This will promote innovation, investment, and economic growth. However, for this to happen, the spiritual component of religion needs to be preserved. The current rise of religiosity and the

use of religion as a political tool is counterproductive in this process. It is only the free practice of religion, independent of political influence, that can make it an instrument of economic development. A state that uses religion to undermine personal liberties can never develop holistically. True religious freedom empowers individuals, strengthens democracy, and allows for the peaceful coexistence of diverse communities—conditions that are essential for long-term development. As India aspires to be an economic powerhouse, safeguarding religious freedom must be seen not only as a constitutional ideal but also as a pragmatic foundation for sustained and equitable growth. The evidence suggests that economic prosperity is more likely when states focus on upholding freedom rather than promoting any one religion, however dominant it may be in the public sphere.

References

- Ahmad, A., Rehman, K.-u., & Humayoun, A. A. (2014). Islamic banking and prohibition of riba/interest. *Global Journal of Business Management*, 8(4), 1–5.
<https://www.internationalscholarsjournals.org>
- Bano, M., & Nair, P. (2007). Faith-based organisations in South Asia: Historical evolution, current status and nature of interaction with the state [Report]. *Working Paper No.12, Religions and Development Research Programme, University of Birmingham*, UK, 46 pp.
<https://www.gov.uk/research-for-development-outputs/faith-based-organisations-in-south-asia-historical-evolution-current-status-and-nature-of-interaction-with-the-state#citation>
- Bhattacharjee, M. (2023, January 3). Religious organisations in philanthropy. *Times of India*.
<https://timesofindia.indiatimes.com/blogs/voices/religious-organizations-in-philanthropy/>
- CCIH. (2021, January 18). Faith-based healthcare in India. <https://www.ccih.org/faith-based-healthcare-in-india/>
- Gautam, P. K. (2016). Understanding dharma and artha in statecraft through Kautilya's Arthashastra. *Institute of Defence Studies and Analysis*
<https://idsa.in/system/files/monograph/monograph53.pdf>
- Gill, A. (2013). Religious liberty & economic development: Exploring the causal connections. *The Review of Faith & International Affairs*, 11(4), 5–23.
<https://doi.org/10.1080/15570274.2013.857116>
- Iyer, S. (2018). The Economics of Religion in India. In *Harvard University Press eBooks*.
<https://doi.org/10.4159/9780674989313>
- Jain, R. (2024, September 16). From mission to movement: The legacy of Christian schools on Indian education. *Religion Unplugged*.

- <https://religionunplugged.com/news/2024/9/16/from-mission-to-movement-the-legacy-of-christian-schools-on-indian-education>
- Karaçuka, M. (2018). Religion and economic development in history: Institutions and the role of religious networks. *Journal of Economic Issues*, 52(1), 57–79.
<https://doi.org/10.1080/00213624.2018.1430941>
- Khan, A. R. (2014, March 12). Labor rights in Islam. *ICNA Council for Social Justice*.
<https://icnacsj.org/labor-rights-in-islam-sh-abdool-rahman-khan/>
- Kramer, S. (2021, September 21). Key findings about the religious composition of India. *Pew Research Center*. <https://www.pewresearch.org/short-reads/2021/09/21/key-findings-about-the-religious-composition-of-india/>
- Kumar, M. (n.d.). Block-2: Learning and teaching [PDF]. *Indira Gandhi National Open University*. <https://egyankosh.ac.in/bitstream/123456789/50421/1/Block-2.pdf>
- Moodie, D. (2020, July 14). A Hindu guide to wealth: Finding success in neoliberal India. *The Revealer*. <https://therevealer.org/a-hindu-guide-to-wealth-finding-success-in-neoliberal-india/>
- Muralidharan, K. (2024). Accelerating India's development: A state-led roadmap for effective governance. *Viking*. <https://www.thegeostrata.com/post/accelerating-india-s-development-a-state-led-roadmap-for-effective-governance#:~:text=The%20eighteen-chapter-long%20book%20from%20Penguin%20Random%20House%20comprehensively,can%20lead%20economic%20change%20by%20facilitating%20effective%20governance.>
- Narendra, S. (2020, June 27). PV Narasimha Rao the economic liberaliser was wary about taking credit. *eNewsroom*. <https://enewsroom.in/pv-narasimha-rao-economy-economic-reforms/>

Overmiller, T. (2024, August 30). Christian community service. *Shepherd Thoughts*.

<https://shepherdthoughts.com/>

PaRD. (2016, May 24). Religious engagement in humanitarian crises – Good practice

collection. *PaRD News*. <https://www.partner-religion-development.org/religious-engagement-in-humanitarian-crises-good-practice-collection/>

Sarkar, S. (2022, May 23). The religious economy: \$40 billion and growing. *The Pioneer*.

<https://www.dailypioneer.com/2022/columnists/the-religious-economy---40-billion-and-growing.html>

Schneider, D. (2020, December 10). The Bible, Christian doctrine, and lending money: An argument for renewed Christian perspectives [Final paper]. *Harvard Program on Biblical*

Law. https://pblcls.law.harvard.edu/wp-content/uploads/2021/08/Schneider-Dana_The-Program-on-Biblical-Law_The-Bible-Christian-Doctrine-and-Lending.pdf

Sen, A. (2000). *Development as freedom*. *Anchor*.

https://www.google.co.in/books/edition/Development_as_Freedom/NQs75PEa618C?hl=en

Sharma, S., & Das, K. N. (2024, March 23). India court effectively bans madrasas in big state

before election. *Reuters*. <https://www.reuters.com/world/india/india-court-effectively-bans-madrasas-big-state-before-election-2024-03-23/>

Singh, C. (2016). Religion and economic growth: Elements from Sikhism. *SSRN Electronic*

Journal. <https://doi.org/10.2139/ssrn.2763585>

Times of India. (2023, November 28). About Golden Temple langar: World's largest free kitchen feeds over 50,000 people everyday here!

<https://timesofindia.indiatimes.com/travel/destinations/about-golden-temple-langar->

[worlds-largest-free-kitchen-feeds-over-50000-people-everyday-here/articleshow/105558743.cms](https://www.foxnews.com/worlds-largest-free-kitchen-feeds-over-50000-people-everyday-here/articleshow/105558743.cms)

Turnbull, R. (2021, March 1). A biblical theology of work, part 1: Why work? *Acton Institute*.

<https://rlo.acton.org/archives/119221-a-biblical-theology-of-work-part-1-why-work.html>

Viswanath, P., & Dadrawala, N. (2004). Philanthropy and equity: The case of India [Report].

Global Equity Initiative. <https://www.cbd.int/financial/charity/india-phequity.pdf>

World Bank. (n.d.). Faith-based and religious organizations.

<https://www.worldbank.org/en/about/partners/brief/faith-based-organizations>

World Bank. (2024, September 3). India's economy to remain strong despite subdued global

growth. <https://www.worldbank.org/en/news/press-release/2024/09/03/india-s-economy-to-remain-strong-despite-subdued-global-growth>

*The Kautilya School of Public Policy (KSPP) takes no institutional positions. The views and opinions expressed in this article are solely those of the author(s) and do not reflect the views or positions of KSPP