

Religiosity and corporate financial decisions: a literature review

Fabrizio Rossi, Richard Cebula and Kristina Kregar

Abstract

Purpose – This paper aims to review the major studies that have examined the relationship between religiosity and managerial decisions, with a focus on behavioural corporate finance.

Design/methodology/approach – In the field of accounting, corporate governance and corporate finance, the main works related to five areas (religiosity, managerial decisions and ethical behaviour; religiosity and corporate risk-taking; religiosity and corporate cash holding; religiosity and corporate financial decisions; and religiosity and corporate governance), were reviewed to provide a systematic literature review.

Findings – The results of previous works suggest that religiosity, as a cultural proxy, is an important determining variable in corporate decisions and that it can be a useful tool to improve a firm's ethics towards its management and towards its stakeholders, and to reduce agency costs, especially in firms operating in weaker institutional contexts (weaker corporate governance, higher debt levels and lower stakeholder protection).

Practical implications – This study provides two practical contributions. Firstly, it provides a comprehensive literature review that can be used for future research. Secondly, this study provides evidence that a country's national culture, especially religion, is a key factor in shaping organisational and financial behaviour through two channels: local religiosity and personal religious beliefs. Prior to their appointment, it may be very useful for business owners to know that managers and directors are influenced by their personal culture, including religious beliefs, when making business decisions. In other words, corporate decisions may be driven more by personal beliefs than by "first best" criteria.

Originality/value – This study adds to the body of literature and provides practical implications. Firstly, to the best of the authors' knowledge, it is the first study to attempt a systematic review of the literature. Secondly, knowing that religiosity, as a cultural proxy, could be a useful determinant in empirical models certainly limits phenomena related to omitted variable bias. Finally, this study could serve as a stimulus to investigate other areas not yet explored in the literature, namely, financial distress, firm longevity and agency costs, especially in small and medium-sized enterprises.

Keywords Social values, Behavioural finance, Social corporate finance, Corporate finance, Corporate governance, Religiosity, Cultural dimension, Values, Social theory, Corporate culture, Culture (sociology), Corporate finances

Paper type Literature review

Fabrizio Rossi is based at University of Trieste, Trieste, Italy.
Richard Cebula is based at University of Tennessee, Knoxville, Tennessee, USA.
Kristina Kregar is based at University of Rijeka, Opatija, Croatia.

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1. Introduction

It is assumed that managers' decisions are likely to be influenced either by their personal religion or by the religious affiliation of the people with whom they interact (Guiso *et al.*, 2003). The main objective of this paper is to review the literature on religiosity and corporate decisions to examine the main findings of previous scientific contributions. In recent years, an increasing number of studies have examined the empirical relationship between the cultural dimension of firms, specifically religious beliefs, and their financial decisions (e.g. Hilary and Hui, 2009; Baxamusa and Jalal, 2014, 2016; Chen *et al.*, 2016; Jiang *et al.*, 2018). Culture is defined as adaptations consisting of experiences that are organised, learned or created by individuals in a population. These adaptations include images and

encodings, as well as their interpretations or meanings, which are transmitted from past generations or contemporaries, or formed by individuals themselves (Hofstede, 1980; Schwartz *et al.*, 1992). Therefore, it is widely recognised that culture, either directly (Hofstede, 1980) or indirectly through informal institutions (Williamson, 2000), assumes an important impact in providing a concrete explanation regarding the organisational behaviour of firms and ultimately with respect to firm performance. Religiosity is considered a pillar of national culture, and religious beliefs are considered informal institutions and models of social order that influence economic behaviour and shape legal systems, political institutions and governments, which in turn promote different types of financial markets and institutions. The legal systems, economic performance and religiosity of countries are strongly interrelated factors (La Porta *et al.*, 1999; Williamson, 2000; Stulz and Williamson, 2003).

Moreover, religion has been given a prominent role in most studies, i.e. it is seen and treated as a system of thoughts and actions that relies heavily on this powerful, pervasive and involuntary tendency (Guthrie, 1996). Religion is widely regarded as a cultural proxy, value, social norm or informal institution that contains beliefs which influence individuals' attitudes and behaviours (e.g. Guiso *et al.*, 2003; Guiso *et al.*, 2003; Williamson, 2000). La Porta *et al.* (1999) and Stulz and Williamson (2003), for example, provide empirical evidence that countries where Protestants form the majority of the population have more efficient governments and stronger creditor protection than predominantly Catholic countries. This result appears to be partly influenced by cultural attitudes, such as individualism and collectivism, that have been shaped by religiosity over time. For instance, Catholic countries tend to be interventionist, whereas Protestant countries do not. Protestantism emphasises individualism and personal responsibility. Protestants tend to believe that the economic benefits of property, and therefore property rights, should be attributed entirely to the owners, whereas Catholics adhere to the principle of the common good, viewing property as supplementary to the social good (Baxamusa and Jalal, 2014).

The aim of this work is to collect and review the main contributions on the relationship between religiosity and three fields of study: accounting, corporate finance and corporate governance. We examine everything within the “perimeter” of social corporate finance, the latter being the branch of behavioural corporate finance “that studies the structure of social interactions, how financial ideas spread and evolve, and how social processes affect financial outcomes” (Hirshleifer, 2015, p. 133). Within the three lines of research, we further divide our paper into:

- religiosity, managerial decisions and ethical behaviour;
- religiosity and corporate governance;
- religiosity and corporate financial decisions;
- religiosity and corporate risk-taking; and
- religiosity and cash holdings.

Building on previous empirical studies, our systematic literature review adds to the existing body of knowledge in several ways. Firstly, to the best of the authors' knowledge, this study is the first to attempt to provide a literature review on the potential relationship between religiosity and corporate decisions (accounting and finance, social corporate finance, corporate governance and business ethics). Secondly, this study attempts to identify the relevant issues that are neglected or not addressed at all in this literature. Finally, by reviewing previous studies and their findings, this study seeks to provide a guide for researchers who wish to further explore the relationship between religiosity and corporate financial decisions in the future. In other words, based on what has been achieved, we will attempt to provide ideas for future research on this topic.

This study is structured as follows: Section 2 examines the theoretical framework of religiosity. Section 3 outlines the methodology used in this study and provides a literature review that addresses each of the relevant subareas. Section 4 discusses the key findings, and Section 5 concludes with a summary and the study's practical implications.

2. Religiosity as a pillar of national culture

According to the various sources, including as [The Guardian \(2018, 27 August\)](#), [Mukhtar \(2022\)](#), *World Religion Day – 16 January 2022* (World Religion Day- 16 January 2022 – Sadiya Mukhtar) and [Wasserman \(2024\)](#), *World Population by Religion: A Global Tapestry of Faith* (<https://populationeducation.org/world-population-by-religion-a-global-tapestry-of-faith/>) the largest religious groups in the world are: Christians 2.3 billion (31.2%), Muslims 1.8 billion (24.1%), Hindus 1.1 billion (15.1%) and Buddhists 500 million (6.9%). If we reclassify the religious denominations into macro-groups ([McMullin, 2024](#)), we can identify two major religious groups: Western religions (Christianity, Judaism and Islam) and Eastern religions (Buddhism, Hinduism and Taoism). Each has a different influence on the economy.

From an anthropological perspective, religion is an important aspect of cultural sciences and is often completely absorbed by the concept of culture, which, in an ethnographic context, refers to the knowledge, beliefs, arts, ethics, customs, practices and skills that individuals acquire over time as members of a community ([Tylor, 1871](#)). [Geertz \(1973, p. 89\)](#) defines culture as “a historically transmitted pattern of meanings embodied in symbols, a system of inherited conceptions expressed in symbolic forms through which men communicate, perpetuate and develop their knowledge about and their attitudes towards life”. [Woodhead's \(2011\)](#) definition, however, appears to be broader in scope, attributing different meanings to the term religion: “religion as belief”, religion “as a sign of identity” and “religion as a cultural order and value”.

As an integral part of culture, religiosity influences the behaviour of individuals. The latter, through social relationships or more precisely social structures, tend to adopt similar behaviours in terms of how they think or act ([Van den Steen, 2010](#)).

However, while [Weber \(1905\)](#) attempted to explain the link between religion, economic decisions and the political and legal system in his well-known essay *The Protestant Ethic and the Spirit of Capitalism*, subsequent studies have mainly examined the macroeconomic aspect of the influence of religiosity on the development of countries' economies ([Ferguson, 2003](#); [Kurth, 1998](#); [North, 1990](#); [Gay, 2000](#); [Nunziata and Rocco, 2011](#); [Barro and McCleary, 2001](#); [Guiso et al., 2003](#)). Instead, other empirical studies have found several links between culture, institutions, corporate governance, organisational behaviour, firm performance and social corporate finance ([Grinblatt and Keloharju, 2002](#); [Stulz and Williamson, 2003](#); [Guiso et al., 2003, 2006](#); [Volonté, 2015](#)).

2.1 Theoretical underpinning: agency theory and social norm theory vs behavioural and social corporate finance

With its roots in neoclassical business theory, agency theory examines the principal–agent relationship and the opportunistic behaviour that the agent might adopt as the principal's delegate. However, this is always within a context of individual rationality ([Jensen and Meckling, 1976](#)). [Jensen and Meckling \(1976\)](#), [Jensen \(1986\)](#) and [Fama and Jensen \(1983\)](#) not only explain how such behaviour reduces the firm value, but also suggest which corporate governance and financial decision-making tools could be used to reduce agency costs. [La Porta et al. \(1998\)](#) document the relationship between corporate governance systems and the legal systems of companies' home countries. The close relationship between corporate governance, law and finance helps to explain the differences between common law and civil law countries. According to the theory of legal origins, common law

countries offer greater protection to minority shareholders and investors, are more open to changes in corporate control and outperform civil law countries, as investor protection leads to a more efficient allocation of capital (La Porta *et al.*, 2008). Furthermore, in a study of corporate governance and value around the world, La Porta *et al.* (1998) identified religion as a cultural determinant of decision-making behaviour at both the individual and the corporate levels (in addition to institutional factors). Williamson (2000) also argues that religion, as an informal institution, has an impact on formal institutional systems, such as the legal system. La Porta *et al.* (1997) describe Catholicism and Islam as “hierarchical” religions which confer specific characteristics on countries where these religions are prevalent. These characteristics include lower efficiency of the legal system, higher levels of corruption, inefficiency of the bureaucratic system, higher tax evasion rates, low civic and professional association participation rates, poorer infrastructure, higher inflation rates and a smaller presence of large corporations in the economy.

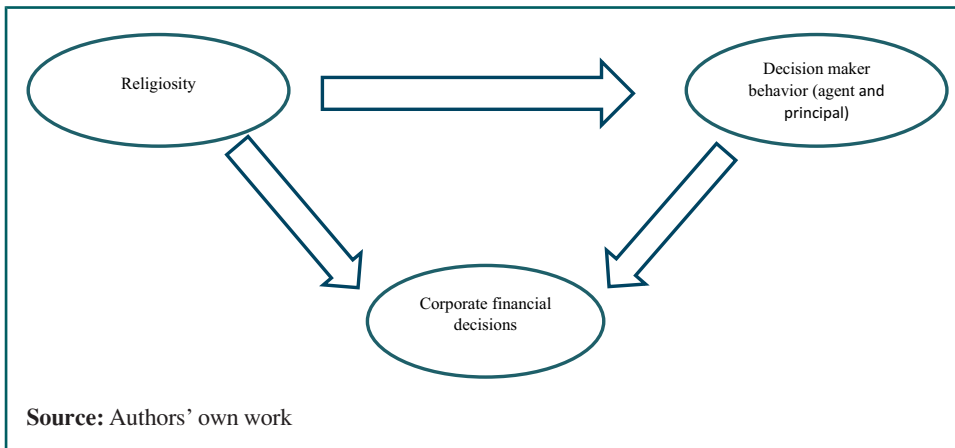
Religious denominations have influenced the growth and financial decisions of companies over the years by shaping financial systems (Williamson (2000)). Indeed, companies operating in Protestant countries appear to have grown more and to have established stronger relationships with the stock market. Conversely, companies operating in countries with a Catholic tradition, which mostly have civil law systems (based on the Napoleonic Code), have a more bank-centred approach, involving greater financial debt, smaller organisational structures and lower levels of shareholder and investor protection compared to countries with different religious denominations.

The social norms theory describes situations in which individuals mistakenly perceive the attitudes and/or behaviours of their peers and other community members as different from their own. Social norms can be interpreted as “common standards within a social group regarding socially acceptable or appropriate behaviour, the breach of which has social consequences. The strength of these norms can range from loose expectations to unwritten rules [with norms being] internalised through socialisation. [Although] society, its institutions and social order depend on social norms, different social groups also have their own norms within society. [However], the existence of social norms does not prevent them from being frequently violated” (Chandler and Munday, 2011, p. 178). To the extent that the social norms theory predicts that managers will abide by the existing norms of the surrounding community, they are likely to avoid inefficient labour investments for the benefit of shareholders and other stakeholders. Religion is a sanctioning system that discourages individuals from committing acts that may negatively affect their peers and society (Khedmati *et al.*, 2021; Habib *et al.*, 2023).

More recently, behavioural and social corporate finance has attempted to explain the behaviour adopted by principals and agents. In particular, drawing on cognitive psychology, and more recently social psychology and sociology, this approach attempts to distinguish between rational and behavioural agents and principals. According to Cronqvist and Pély (2019), agents and principals do not make decisions in isolation, but rather within a dynamic social environment, being influenced by their social position within and between markets. Behavioural and social corporate finance essentially studies how social traits, states and activities shape corporate decision-making when an individual's psychology is not directly observable. As religiosity is an integral part of national culture and an individual's social and relational activities, it influences the behaviour of principals and agents. According to upper echelons theory (Hambrick and Mason, 1984), organisational outcomes, strategic choices and performance levels are partially predicted (influenced) by the characteristics of top management (experience and cultural factors).

Below is a framework showing the impact of religiosity on corporate decisions (Figure 1).

Figure 1 Conceptual framework of the impact of religiosity on corporate financial decisions

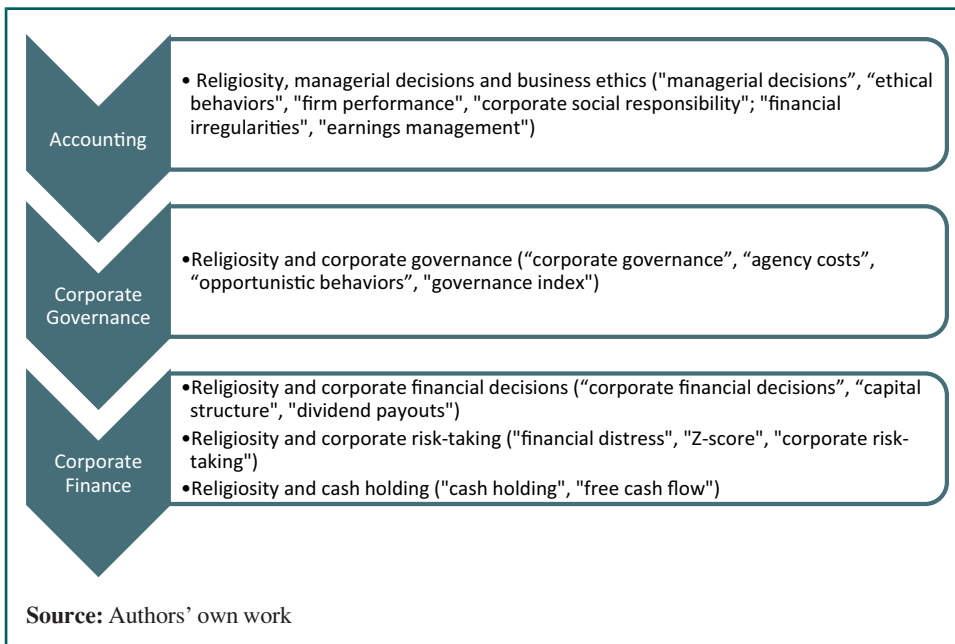


3. Methodology

The aim of this study is to conduct a systematic international review of the academic literature examining the relationship between religiosity and corporate finance decisions. The strength of systematic reviews lies in their “replicable, scientific and transparent process, which allows researchers to provide an audit trail substantiating their conclusions” (Tranfield *et al.*, 2003, p. 218). In this endeavour, a comprehensive review was undertaken and, in particular, we used the following multi-faceted methodological strategy (Figure 2).

Following the previous conceptual diagram, we identified 19 keywords: “managerial decisions”, “ethical behaviour”, “firm performance”, “corporate social responsibility”, “financial irregularities”, “earnings management”, “corporate governance”, “agency costs”, “opportunistic behaviour”, “governance index”, “corporate financial decisions”, “capital

Figure 2 Conceptual scheme of the topics covered



structure”, “dividend payouts”, “financial distress”, “Z-score”, “corporate risk-taking”, “financial distress”, “cash holding”, “free cash flow” associated with the most recurring terms in the previous literature, namely, “religion” AND/OR, “religiosity”, AND/OR “religious denominations” AND/OR, “local religiosity”, AND/OR “CEO religiosity”, AND/OR “religious environment”, to find all the studies related to these topics. We use the terms local religiosity (local community) and chief executive officer (CEO) religiosity (personal religiosity) because while local religiosity refers to extrinsic religiosity related to the local community that exerts external pressure on the behaviour of firms, CEO religiosity instead refers directly to the personal belief of CEOs and, more precisely, to a form of intrinsic religiosity that exerts internal pressure at the top level and thus influences organisational behaviour (Hambrick and Mason, 1984; Harjoto and Rossi, 2019). Therefore, in our study we distinguish two types of measures: intrinsic (CEO religiosity) and extrinsic (local religiosity). The metrics used to build this variable vary across countries and require more explicit discussion, particularly with regard to how these constructs are operationalised in different studies. For example, Baxamusa and Jalal (2016) identified CEO’s personal beliefs using *Marquis Who’s Who*, whereas Harjoto and Rossi (2019) used multiple sources, including *LinkedIn*, *Marquis World Who’s Who*, *Facebook*, *Wikipedia*, *Bloomberg* profiles, corporate annual reports, press releases and local library resources.

Church attendance rates and institutional density (i.e. the number of temples or churches per capita) are widely available and comparable across regions. However, they may not reflect the intensity of individual belief or practice (i.e. CEO religiosity). These measures are mostly used to assess extrinsic religiosity (e.g. Hilary and Hui, 2009; Li *et al.*, 2021; Montenegro, 2017; Cai and Shi, 2019; Díez-Esteban *et al.*, 2019). While these measures benefit from wider data availability (e.g. the *American Religion Data Archive*, the *Italian Institute of Statistics*, *European Values Study Longitudinal Data File* and *World Factbook*) across regions, they may not fully reflect the depth of personal faith or religious practice. Unlike studies in other countries, most studies on the relationship between Eastern religions, especially Buddhism, and business decisions seem to use consistent metrics. For example, using the *Religion Explorer* database, they use the same measure of religiosity: the natural logarithm of the number of religious sites within a certain radius around a company’s headquarters (Du, 2013; Wang and Lin, 2014; Li and Xu, 2019; Li *et al.*, 2021).

Conversely, survey-based or biographical data on religiosity offer a more direct insight into personal (intrinsic) religiosity. However, they are often limited by issues such as data availability, privacy concerns and self-report bias. Clearly, different metrics used to measure extrinsic and intrinsic religiosity (i.e. CEOs’ personal beliefs) could generate heterogeneous results, as the latter could be influenced by the proxies considered.

We use various databases, such as Scopus, the Web of Science, the Social Science Research Network and Google Scholar to identify relevant studies. We also use the previous work on the topic to increase the number of articles and books we can review. Using this strategy, we find more than 100 papers on the relationship between religion, religiosity and our areas of interest. We excluded any work on the topic of “religiosity” that did not fall within the three macro themes (five subthemes) that we considered.

Furthermore, as an additional criterion for selecting the papers reviewed here, we also included articles published in prestigious peer-reviewed academic journals that examined all religious persuasions. These articles focused on the largest religious groups within the world’s population, made up of Christians, Muslims, Hindus and Buddhists, which include Western religions (Christianity, Judaism and Islam) and Eastern religions (Buddhism, Hinduism and Taoism), respectively.

Finally, since religiosity is country-specific, following La Porta *et al.* (1999, 2008), we include civil law and common law countries in our literature review. Of course, we only include papers published in prestigious peer-reviewed academic journals. These articles deal in

depth with the complex interaction between religion, in particular religiosity, and corporate decision-making processes. We considered papers published between 2009, when the first paper on religion and organisational behaviour using US country-level data was published by Hilary and Hui, 2009 and 2024. Our aim was to conduct an international literature review focusing on religiosity to demonstrate its potential impact on corporate financial decision-making processes. To ensure a reasonable quality threshold, we only considered papers published in journals ranked A*, A, B or C by the Australian Business Deans Council (ABDC) journal quality list from 2022 onwards.

3.1 Religiosity, managerial decisions and ethical behaviour

Hilary and Hui (2009) investigated a sample of CEOs who ran companies in the USA between 1991 and 2003 and found a strong relationship between the level of extrinsic religiosity (i.e. involvement in the local community) and managerial decisions. In particular, they found that managers tended to choose companies whose cultures were more similar to their own beliefs. Several studies have empirically examined the relationship between religion and corporate behaviour. In their study of the impact of religion on corporate investment, Hilary and Hui (2009) found that a firm's level of investment and the volatility of its stock returns were both negatively related to the level of extrinsic religiosity (local community). Other studies have shown that the level of religiosity of firms is negatively correlated with the adoption of "wrong" corporate behaviour. For example, Grullon *et al.* (2010) found that religion discourages undesirable corporate behaviour. In particular, more religious firms are less likely to engage in class action lawsuits, pay managers less and engage in fewer earnings management practices (i.e. actions – legitimate or illegitimate – aimed at presenting the firm's results in an overly positive manner. Similarly, other studies have found that greater religiosity leads to fewer financial reporting irregularities (McGuire *et al.*, 2012) and that there is a negative relationship between firm religiosity and earnings management practices (Du *et al.*, 2015).

Chourou *et al.* (2020) found that US firms headquartered in areas with a higher level of religiosity disclosed higher-quality earnings forecasts, and that this positive effect was more pronounced for firms with weaker monitoring. Boone *et al.* (2013) used a sample of 33,000 observations in the USA between 1992 and 2010 to document a negative relationship between religious norms and tax evasion activities. Overall, therefore, the empirical evidence suggests that there is a negative relationship between the level of religiosity of firms and their fraudulent behaviour. This demonstrates how religion represents a social norm that encourages managers to adopt more ethical attitudes that align with the company's interests. Recent studies highlight the influence of papal encyclicals on corporate social responsibility (CSR; Sethi and Steidlmeier, 1993; Abela, 2001; Grassl and Habisch, 2011; Goodpaster, 2011; Vaccaro and Sison, 2011; Rousseau, 2017). In this regard, Costa and Ramus (2012) highlight the ideas of Pope John Paul II, according to which "it is not simply to make a profit, but its very existence as a community of persons who in various ways are endeavouring to satisfy their basic needs, and who form a particular group at the service of the whole of society". In today's society, therefore, the objective of companies is no longer simply to generate profit but also to address the problems of the community of reference, becoming promoters of economic and social development.

In terms of CSR, Harjoto and Rossi (2019) made a new and original contribution by verifying, through a textual analysis related to religiosity, whether there is a link between the Catholic Magisterium and social responsibility practices. This analysis used terms such as religion, religiosity, church attendance, congregation and Christianity, which are inherent in papal encyclicals. Having established the historical solidity of the link between corporate responsibility and Catholic thought, the study examined the governance and CSR practices of 156 stock exchange-listed companies belonging to nine industrial and service sectors

from 2002 to 2014. The sample was analysed in light of the different socio-economic and demographic components of the regions to which the companies belong. The study found that, as the level of religiosity in a territory increases, as measured by Sunday Mass attendance (data obtained from *Italian Institute of Statistics*), there is a statistically significant increase in a company's level of social responsibility and a greater likelihood of it obtaining high ethical ratings. This is evidenced by the sustainability ratings assigned by the rating company *Standard Ethics*.

Similar results were documented in a recent study by [Khedmati et al. \(2021\)](#), which examined the effect of religiosity on labour investment decisions. Drawing on social norm theory, [Khedmati et al. \(2021\)](#) hypothesise that firms located in religious areas are less likely to make inefficient labour investment decisions and document that religiosity reduces the "clusters of inefficiency". They also found that the effect of religiosity on inefficient labour investment was reduced for firms that paid more attention to corporate social responsibility. [Cui et al. \(2015\)](#) examine the empirical relationship between religion, primarily Christianity, and the environmental practices of a firm's management. Using a large, comprehensive US sample, they discovered a negative correlation between environmental initiatives implemented by a firm's managers and the religiosity of the surrounding community, once various firm and demographic characteristics had been taken into account. The authors interpret these results as providing some support for the "dominance hypothesis", which claims that Christian beliefs discourage environmental concern. [Oh and Shin \(2020\)](#) examine whether religion affects corporate disclosure quality, focusing on the role of social trust. Using country-level data on religion and disclosure quality from 38 countries, they find that general religiosity is negatively related to both voluntary and mandatory corporate disclosure quality. Furthermore, by categorising religiosity into two groups according to the religious hierarchy, they find that these negative relationships are more pronounced for non-hierarchical religions.

Using a sample of Portuguese private firms, [Montenegro \(2017\)](#) examines the association between religiosity and financial reporting quality. The results suggest that firms located in areas of Portugal with a high level of religious affiliation, particularly in the district where the Fatima Shrine is located, generally exhibit lower levels of earnings management. The author also concludes that religious social norms, together with other forms of external financial monitoring, reduce costly agency conflicts. In addition, [Nazrul et al. \(2022\)](#) highlight that religiosity among senior management has a significant positive impact on the readability of a company's annual report. Their final data set spans the years 1999–2020, using an individual-level measure to capture the effect of religiosity on disclosure quality, as measured by annual report readability. The results suggest that companies with executives who belong to the Christian faith community produce more readable annual reports.

Finally, [Dimic et al. \(2024\)](#) find a positive relationship between religiosity and environmental, social and governance (ESG) scores. They used a sample of 98 large, publicly listed US firms and analysed 706 firm-year observations over the period 2012–2020.

A review of the literature shows that all religious denominations significantly impact non-financial reporting, CSR and business ethics in general. Regardless of their location, the ethical behaviour of companies seems to be determined by religious influence, both extrinsic (external pressure) and intrinsic (CEO beliefs). Companies that are more religious are less likely to make opportunistic decisions and are more likely to be managed in the interests of all stakeholders.

3.2 Religiosity and corporate governance

Although the theoretical framework of [Jensen and Meckling \(1976\)](#) refers to the principal–agent behavioural relationship – in the absence of complete contracts – it remains limited to the neoclassical theory of profit maximisation. In the context of agency

theory, managers are still seen as rational maximisers, which is not necessarily interpreted as maximising the value of the firm to the extent that their preferences diverge from those of the owners. For example, managers tend to use lower levels of debt for fear of incurring high personal costs in the event of financial distress, in contrast to shareholders, who have well-diversified portfolios and are therefore more inclined to put the firm in debt as they would face less risk (Cronqvist and Pély, 2019).

Instead, the behavioural agency theory takes into account various personal characteristics of managers – overconfidence or narcissism and environmental factors – that would influence their decision-making behaviour and deviate their decisions from optimal choices. Cronqvist and Pély (2019) identify social corporate finance as a natural evolution of behavioural corporate finance, as principals and agents do not make decisions in “isolation”, but rather within a “dynamic social environment”. Therefore, social psychology and sociology can help us to understand how the social characteristics of managers and shareholders influence corporate decision-making processes. Social finance focuses on the influence of social norms, moral attitudes, religion and ideologies on financial behaviour. While behavioural finance has mainly focused on individual-level distortions (biases), social finance considers the analysis of social interactions, effectively representing a descendant of behavioural finance (Hirshleifer, 2015).

La Porta *et al.* (1999) find that more “bank-centric” countries tend to be more Catholic than Protestant. Countries with a Catholic vocation also appear to have lower levels of shareholder protection, a less developed capital market and civil law legal systems. Baxamusa and Jalal (2014) consider religion to be one of the most important components of culture. Stulz and Williamson (2003) argue that Protestantism emphasises individualism and personal responsibility, which leads to differences in economic outcomes. Empirical support for these arguments is provided by La Porta *et al.* (1999) and Stulz and Williamson (2003), who find that Protestant countries have better corporate governance and greater protection of shareholder rights than Catholic countries. Du (2013) examines a sample of Chinese firms and finds that religiosity reduces agency costs. Du (2013) finds that in China, firms located in regions with a higher number of Buddhist monasteries within a certain radius are negatively associated with tunnelling (the expropriation of liquid assets through intercompany loans).

Chintrakarn *et al.* (2017) and Rossi *et al.* (2025) find that religiosity acts as a proxy corporate governance mechanism, thereby mitigating agency conflicts. In fact, it provides a means of regulating agency costs while encouraging managers to act in the interests of all stakeholders. Kim and Daniel (2016) find that religiosity is positively associated with stronger corporate governance in Protestant countries. More recently, Milbourn and Wabara (2022) found that religious directors have a greater sense of board oversight, behave more ethically and help spread a culture of good intentions within the organisation, in line with their religious principles.

In terms of the relationship between corporate governance and religiosity, a positive picture emerges in terms of the corporate governance best practices adopted by the most religious companies. However, in Protestant countries, such companies appear to have more efficient management, with religion playing a controlling and monitoring role in relation to agency costs. These costs are known to reduce company value and skew the decision-making process in favour of controlling shareholders, to the detriment of minority shareholders and other stakeholders.

3.3 Religiosity and corporate financial decisions

Several studies have examined the relationship between corporate financial decisions and the level of intrinsic and extrinsic religiosity of firms. For example, Baxamusa and Jalal (2014) find that firms based in predominantly Catholic counties in the USA are more likely to

issue debt to finance their cash requirements, and have higher financial leverage than comparable firms based in predominantly Protestant counties. [Baxamusa and Jalal \(2016\)](#) also find that firms led by Catholic CEOs have lower financial leverage, issue less debt, are more diversified in their investments and invest less than firms led by Protestant CEOs. These differences in results could be due to the different religiosity measures used: an extrinsic measure in the first case (local community religiosity rate) and an intrinsic measure in the second case (individual religiosity or CEO beliefs). [Chen et al. \(2016\)](#) find that religiosity reduces the cost of debt and that religious values play a more important role in constraining managers' opportunistic behaviour in weaker legal contexts, particularly in countries where creditors' rights are less protected. [Ucar \(2016\)](#) finds that firms located in areas with a higher proportion of Protestants are more likely to pay dividends and have higher dividend yields, while firms located in predominantly Catholic areas are less likely to pay dividends and have lower dividend yields.

[Chintrakarn et al. \(2018\)](#) use data on variations in religiosity across US counties and show that greater religiosity is associated with a higher propensity to pay dividends and a greater amount paid out in dividends. [Rossi et al. \(2019\)](#) examine a sample of 155 listed firms in Italy and find that firms operating in regions with higher levels of religiosity pay higher dividends. [Rossi et al. \(2019\)](#) also document a null relationship with respect to capital gains, concluding that the results obtained seem consistent with the "bird-in-the-hand theory". Although dividends are culturally influenced and generally more valued in conservative cultures such as Protestant, companies in Catholic areas are less likely to pay dividends ([Ucar, 2016](#)). However, [Rossi et al. \(2019\)](#) offer an alternative perspective, explaining the effect in Catholic cultures in terms of the "bird-in-the-hand" theory, whereby investors favour the safety and tangibility of dividends over uncertain future earnings.

A substantial body of theoretical and empirical literature (including works by [Weber, 1905](#); [George, 1957](#); [Iannaccone, 1998](#); [La Porta et al., 1999](#); [Stulz and Williamson, 2003](#); [Baxamusa and Jalal, 2014](#)) has documented the relationship between religious denominations and capital structure, with mixed results. [Chen et al. \(2016\)](#) examine bank lending in 41 countries and find that higher levels of religiosity, as measured by the World Value Surveys, are associated with lower interest rate spreads on loans. They also document that the relationship was more negative in countries with weaker creditor protection, concluding that religious values are more effective in countering opportunistic behaviour in weaker legal systems. In contrast, [Baxamusa and Jalal \(2016\)](#) show that religious CEOs use less debt, invest less and seem to have a more conservative attitude towards investment overall. [Cai and Shi \(2019\)](#) find that firms located in areas with a higher level of religiosity receive better credit ratings, with bondholders demanding lower returns and loan covenants being less restrictive. [Jiang et al. \(2018\)](#) also document a higher credit rating and a lower cost of debt for firms located in areas with a higher level of religiosity. The effect of religiosity seems to be stronger when information asymmetries are more pronounced and during recessions. [Mertzanis et al. \(2023\)](#) examine a sample of 132,914 non-financial firms based in 139 countries between 2006 and 2019 and find that religious influence still has a significant impact on the external financing decisions of firms in larger, less wealthy countries.

Using the moderating role of CSR, [Zhang et al. \(2024\)](#) examine the relationship between religion and financing decisions using a sample of 740 firms based in eight emerging Asian economies, i.e. Pakistan, India, Bangladesh, Indonesia, Malaysia, Turkey, the Philippines and China. Their work considers four religious denominations, i.e. Christianity, Islam, Hinduism and Buddhism for 6,692 observations. [Zhang et al. \(2024\)](#) find that firms located in countries with an Islamic majority use less debt financing than those located in countries with a Christian or Hindu majority.

While the results of various studies on religiosity and corporate financial decisions show a significant empirical relationship, they also show differences across religious denominations.

For example, companies operating in Catholic countries tend to use more debt to finance their investments, while companies operating in Protestant countries, and especially in Islamic countries, tend to use less debt and diversify their sources of finance more. Interesting analogies emerge between Catholic countries and those with an Eastern religious orientation, in particular firms in Buddhist countries, as the results of the empirical literature tend to converge. And this result does not seem at all surprising since both Catholic countries and countries with a Buddhist religious orientation (e.g. China) are countries with a civil law legal system.

3.4 Religiosity and corporate risk-taking

In general, individuals who adhere to monotheistic religions tend to be more risk-averse (Miller and Hoffmann, 1995). Miller and Hoffmann (1995) argue that anxiety and a fear of uncertainty lead individuals to turn to monotheistic religions. These individuals are likely to view religion as a spiritual anchor that alleviates their fear. According to Miller and Stark (2002), Christianity teaches that the main risks of irreligion lie in an “other” or “subsequent” world (the afterlife), where the fires of hell or the tedium of purgatory await non-believers. Even Christian denominations that deny the existence of hell accept the fact that non-believers will, in principle, be denied access to heaven. Orthodox Judaism shares this view, offering a vivid picture of Gehenna, where the wicked suffer eternal torment. This would explain why followers of Western religions are risk-averse. By contrast, followers of polytheistic (Eastern) religions are more grounded in the philosophy of accepting uncertainty rather than offering salvation to overcome uncertainty and fear. They therefore appear to be less risk-averse than followers of Abrahamic religions. On the other hand, Muslims are prohibited from harming themselves or exposing themselves to excessive risk in any way (Al-Baghawi, 1989).

Previous empirical research often finds that religion generally influences the level of risk in corporate investment decisions. La Porta *et al.* (1997) argue that family firms in countries such as Italy adopt more restrictive risk aversion policies to protect financial resources and “human capital”. Jiang *et al.* (2015) study 4,159 family businesses in China between 2005 and 2007 and find that entrepreneurs belonging to a Western religious denomination are less risk-taking, i.e. more risk-averse, than those belonging to an Eastern religious denomination.

Starting from the principle that corporate culture is largely influenced by the beliefs of the environment in which the company operates, Hilary and Hui (2009) assess the impact of the religious environment on the propensity to take risks and find, firstly, that corporate risk aversion is positively related to the level of religiosity of the environment in which companies operate. In addition, Hilary and Hui (2009) show that a Protestant cultural environment is associated with greater risk aversion than a Catholic environment. Earlier, Barksy *et al.* (1997) came to the same conclusion. In contrast, Halek and Eisenhauer (2001) find that Catholics and Jews can sometimes be more risk-averse than Protestants. For example, the study by Halek and Eisenhauer (2001) focuses on individual-level insurance behaviour, whereas the research by Hilary and Hui (2009) focuses on regional-level behaviour. Furthermore, Hilary and Hui (2009) demonstrate that the market's reaction to a firm's investment announcement is more positive the more religious the firm is.

Leon and Pfeifer (2013), Kumar *et al.* (2011) and Fahlenbrach *et al.* (2012) report a negative correlation between religiosity and risk-taking. Jiang *et al.* (2015) consider religiosity to be an important determinant of risk-taking behaviour in family firms. Leon and Pfeifer (2013), on the other hand, find a strong relationship between religiosity and risk-taking behaviour in Germany. In particular, they show that followers of the two main Christian religions (Protestants and Catholics) are less risk-tolerant in general, *except* in *financial* matters. Kumar *et al.* (2011) used religious background to establish a link between financial decisions, stock returns and propensity to gamble. They found that in regions with a higher

concentration of Catholics compared to Protestants, institutions hold larger lottery stock portfolios, non-executives receive larger stock option grants, the first-day initial public offering return is higher, and the magnitude of the negative lottery stock premium is larger.

[Blau \(2017\)](#) finds that religious affiliation and religious beliefs reduce stock price volatility in Catholic US counties. [Al-Khazali et al. \(2017\)](#) study 15 Islamic countries over the period 2005–2015 and find that religious practice, as measured by the Ramadan period, negatively (positively) affects stock market volatility (returns).

The study by [Li et al. \(2013\)](#) investigates the impact of national culture on corporate risk-taking. Examining a sample of 35 countries, they document that culture influences risk-taking through the manager's influence on corporate decisions, which is determined by the culture acquired by the manager as a function of his country's formal institutions, and in this sense religion is the main proxy for national culture. For example, [Adhikari and Agrawal \(2016\)](#) find that US banks headquartered in more religious areas are less risky and less vulnerable to crises because they tend to grow more slowly, hold safer assets, be less involved in non-traditional banking activities and pay their managers less in benefits.

Using a sample of listed Italian firms, [Cebula and Rossi \(2021\)](#) examine the relationship between religiosity, measured by the percentage of the population aged six years and over who have attended religious services at least once a week in the last 12 months in the region where the firm is located, and corporate risk-taking. They find a negative and statistically significant relationship between the two variables. To neutralise the effect of endogeneity between the variables, [Cebula and Rossi \(2021\)](#) also estimate an instrumental variables specification; however, the values of the coefficients remain unchanged. Their results seem to be consistent with the idea that firms located in areas with higher levels of religiosity experience lower levels of risk-taking. Furthermore, these firms appear to behave more ethically in the interest of their stakeholders, suggesting that religiosity, as a cultural proxy and social norm, significantly influences corporate behaviour.

[Díez-Esteban et al. \(2019\)](#) find that different religious contexts have different effects on risk-taking. These effects are negative in Catholic and Islamic countries, positive in countries where Protestantism is the dominant religion, and there is no significant relationship in countries where Eastern religions (Buddhism, Hinduism and Shintoism) are practised. However, they use the *World Factbook* to measure religiosity and combine this with Hofstede's cultural dimension variables. [Baxamusa and Jalal \(2016\)](#) and [León and Pfeifer \(2017\)](#) find that Muslims are more conservative and risk-averse. [Ooi and Hooy \(2022\)](#), on the other hand, find that Muslim CEOs have a positive influence on the relationship between risk-taking and performance. [Li and Xu \(2019\)](#) investigated a sample of Chinese companies comprising 11,115 firm-year observations and found a negative relationship with risk.

[Chircop et al. \(2020\)](#) document a positive relationship between the level of religiosity and risk aversion for a sample of venture capital investments. Using the social norm theory, [Bhandari and Bhuyan \(2020\)](#) document a negative relationship between the local religiosity rate of firms and insider trading activities. They interpret their findings as indicating that religiosity serves to support morality and risk aversion. Before concluding this subsection of the study, it is worth noting an interesting, contrasting finding in [Cantrell and Yust \(2018\)](#), which implies that religiosity is positively associated with risky investments in unlisted banks *per se*. Using a large sample of 8,333 US firms with 78,317 firm-year observations over the period 1974–2010, [Gharbi et al. \(2021\)](#) find that firms based in more religious regions of the US experience less financial distress, especially during the crisis period.

In general, the literature on risk-taking also confirms an empirical relationship with religiosity. However, even in this case there are significant differences between religious denominations. For example, the effect is negative for Catholic and Islamic countries and positive for companies based in Protestant countries. It almost seems that companies in Catholic countries are more tolerant of risk and gambling than companies in Protestant and

Islamic countries. They also tend to be less parsimonious when paying executives. Finally, despite the apparent risk aversion, companies located in more Catholic areas adopt decision-making behaviours that are not always risk-averse. In this context, of course, it must be taken into account that companies operating in more Catholic countries are influenced by the civil law legal system and are therefore more oriented towards overleveraging, which in itself can be used as a proxy for risk (Faccio *et al.*, 2011).

The inconclusive and contradictory results of the empirical analysis, and thus the discrepancies between Protestant and Catholic cultures in terms of risk aversion, are, in our opinion, mainly due to different methodological approaches and/or research designs. We also believe that the data used to measure religiosity can have a significant impact on the results.

3.5 Religiosity and cash holdings

In the agency theory, excess cash can be used by managers to increase their power to the detriment of the firm (Jensen and Meckling, 1976). Therefore, managers (controlling shareholders) have an interest in maintaining high levels of cash to reap the private benefits of control at the expense of minority shareholders. Jensen (1986) argues that any cash not required for investment projects should be returned to shareholders in the form of dividends, thereby preventing managers from using it at their discretion. The manager, on the other hand, might have an incentive to hold more cash than necessary to increase their power within the firm. Consequently, cash holdings may serve not only as a tool for expropriation, but also a means of controlling agency costs (Rossi *et al.*, 2018). Dimitropoulos *et al.* (2020) study small and medium-sized firms in Greece, a civil law country, and find that liquidity has a positive effect on firm performance. They also argue that firms in Greece use liquidity in a precautionary manner.

The Church's Social Doctrine places the human person at the centre of human relationships. Each individual must be able to live a dignified life through an earned income, free from slavery, exploitation and consumerism. According to Pope Francis in *Oeconomicae et pecuniariae quaestiones*, money must serve, not rule. In the encyclical *Evangelii Gaudium*, and in earlier pastoral documents, money is not viewed as a vehicle for slavery, exploitation and greed; rather, it is seen as a means of achieving the greater common good. The Church's Social Doctrine does not ignore the function/role of money in satisfying the financial needs of business management and making the investments necessary for production and the real economy. The Social Doctrine of the Church points to the principle of financial speculation as a cause of inequality and non-redistribution of wealth in this area. When money is used for speculative purposes, society loses its uniqueness. The Islamic religion believes that wealth should be reinvested for the benefit of society and strongly discourages accumulating wealth without benefiting society (Al-Baghawi, 1989). Similarly, Buddhism encourages the mindful use of money, discouraging both excessive accumulation and misuse (Keown, 2022).

Previous studies have found a negative correlation between religiosity and cash holdings. For example, Hu *et al.* (2019) find that firms based in regions with a higher level of Protestant religiosity hold lower liquid reserve holdings. They also document the lower risk appetite of these firms and the greater willingness to distribute excess liquidity to shareholders in the form of dividends. In other words, Hu *et al.* (2019) argue that religious adherence affects not only cash holdings, but also mitigates potential problems related to agency costs. Furthermore, Chen *et al.* (2016) find a negative relationship between religiosity and debt and investment, and a positive relationship between religiosity and cash holdings. All religious denominations appear to have a positive impact on cash holdings.

Li *et al.* (2021) examined a sample of Chinese listed firms between 2006 and 2019, yielding 21,387 observations at firm level over time. They conducted formal empirical estimations.

These estimations revealed a positive relationship between Buddhism and cash holdings, particularly among firms based in regions with weak legal institutions and a smaller number of institutional investors in their ownership structure.

[Li et al. \(2021\)](#) examine a sample of Chinese listed firms between 2006 and 2019, yielding 21,387 firm-year observations. They conduct formal empirical estimations. These estimations reveal a positive relationship between Buddhism and cash holdings, particularly among firms located in regions with weak legal institutions and a smaller number of institutional investors in their ownership structure. Evident differences in Buddhist culture regarding cash holdings depend on how research is by institutional context. As previously mentioned, [Li et al. \(2021\)](#) discovered a positive correlation between Buddhism and cash holdings in regions with weak legal institutions and/or a low presence of institutional investors, while [Xiong et al. \(2022\)](#) found a negative correlation between cash holdings and Buddhism in regions with stronger governance, where religious values may discourage hoarding in favour of transparency and efficiency. Therefore, the different findings may reflect different firm environments rather than contradictions.

[Naz et al. \(2017\)](#) found that CEOs and chief financial officers who move from non-*Shariah* firms to *Shariah* firms exhibit different management styles with regard to financing, pay-out and working capital policies. [Bugshan et al. \(2021\)](#) examined six Gulf Cooperation Council countries from 2005 to 2016 using the influence of *Shariah*-compliant status and found a positive relationship with cash holdings.

Other studies document that the level of religiosity of firms is positively correlated with ethics. For example, [Harjoto and Rossi \(2019\)](#) find that the level of religiosity increases the ethical behaviour of Italian companies through CSR. More religious companies also seem to have higher ethical ratings. [Grullon et al. \(2010\)](#) find that corporate religiosity acts as a mechanism to regulate unethical behaviour. Furthermore, [Chintrakarn et al. \(2017\)](#) argue that religiosity acts as a proxy for good corporate governance by reducing agency costs.

Previous studies have used cash holdings as a proxy for agency costs (e.g. [Harford et al., 2008](#)). The underlying logic is that cash should be returned to shareholders in the form of dividends rather than being used at the discretion of the manager (controlling shareholders) to increase his power within the firm. More specifically, the manager could use the excess cash to make underperforming investments to increase the size of the company and reap greater benefits, albeit at the expense of other stakeholders. In this case, the manager (who is also the controlling shareholder) would be acting contrary to the principle of maximising value for the company by extracting private benefits from their position of control. Several studies have found a negative relationship between cash holdings and corporate religiosity in China and the USA (e.g. [Chen et al., 2020](#); [Xiong et al., 2022](#)). Overall, the studies reviewed conclude that religiosity reduces cash holdings and thus agency costs.

Religiosity affects the propensity to hold cash. This is not surprising when we consider that holding cash is a diversion from more profitable investments. Managers, or controlling shareholders, may use cash for purposes other than increasing the value of the firm, such as increasing their private benefits of control. From this point of view, social corporate finance could provide a plausible explanation in the absence of market rationality, since individuals belonging to the same “social structure” tend to adopt similar decision-making processes and behaviours. Religiosity, a pillar of national culture, tends to shape the decision-making processes of individuals and could act as a regulator of opportunistic behaviour.

4. Discussion

Religion, and hence religiosity, is considered a social norm, a value and a cultural proxy that influences the behaviour of individuals. An extensive literature has been produced on the subject, particularly in recent years. In this study, we have reviewed the most popular articles published in reputable journals. The review should provide a theoretical and/or

empirical basis for future research. In Section 3, we have grouped the existing literature into five macro areas, in which we report a summary of the main findings on the relationship between religiosity, business ethics, financial decisions and corporate governance. Examining the literature review (see [Appendix](#) [1], we find that the most popular papers on this topic are country-specific and include both common law and civil law countries (the USA, China, Italy and Portugal). This concentration introduces potential geographic and institutional biases that could restrict the generalisability of the results. Strong investor protection, well-developed capital markets and a high level of legal enforcement can affect how religiosity interacts with corporate decision-making, particularly in common law countries. In the USA, for example, where shareholder rights are strongly protected ([Halek and Eisenhauer, 2001](#); [Hilary and Hui, 2009](#)), religious norms may act as a supplementary influence rather than a substitute for weak institutions. Conversely, religiosity may play a more central role in shaping corporate governance practices and financial behaviour in civil law countries or emerging markets with weaker legal systems. These contextual differences suggest that the results, which are based largely on data from the USA, may not accurately reflect the global dynamics of religion and corporate behaviour. As [Chen et al. \(2016\)](#) found in their study of China, religious values are more effective in driving opportunistic behaviour in weaker legal systems. Furthermore, incorporating different legal systems and cultural contexts into a comparative research programme would enhance our understanding of the mechanisms through which religiosity influences corporate outcomes. In countries or regions with greater religious diversity, such as Northern Europe or the USA, the influence of religion may be weaker or more varied. Furthermore, countries with a strict separation of church and state, such as the USA and countries in Northern and Western Europe, might exhibit the same dynamics. In Italy, for example, regulatory efforts and cultural expectations reinforce the influence of religiosity on corporate behaviour ([Harjoto and Rossi, 2019](#); [Cebula and Rossi, 2021](#)).

However, we also examined relevant and recent articles that consider a greater number of countries in the empirical analysis (e.g. [Zhang et al., 2024](#); [Mertzanis et al., 2023](#); [Diez-Esteban et al., 2019](#); [Kim and Daniel, 2016](#)). Most of the articles were found in the areas of *religiosity*, *managerial decisions and business ethics* and *religiosity and corporate financial decisions*, respectively. A smaller number of articles were found in the area of *religiosity and corporate risk-taking*.

All of the studies examined suggest a systematic relationship between religiosity and managerial decisions. An in-depth review of the literature, the main papers of which are listed in [Appendix](#), leads to some interesting conclusions. Firstly, religiosity and religious beliefs influence the behaviour of firms (and managers). It seems that in both civil law and common law countries, and in both developed and emerging economies, there are religious environmental effects on corporate financial decisions, business ethics and corporate governance (e.g. [Zhang et al., 2024](#); [Mertzanis et al., 2023](#); [Diez-Esteban et al., 2019](#)). Furthermore, all religious denominations have an impact on corporate financing and accounting. Secondly, religiosity is an important variable that should not be overlooked in empirical models investigating the corporate decision-making process. The culture of a country, particularly its religion, cannot be ignored in econometric modelling. More interestingly, it should be noted that the variable of religiosity has an impact on the decision-making process, regardless of the metrics used. For example, apart from articles that study US-based firms (e.g. [Hilary and Hui, 2009](#); [Ucar, 2016](#); [Baxamusa and Jalal, 2016](#); [Chintrakarn et al., 2018](#)) using similar metrics, studies that examine other countries, such as China (e.g. [Xiong et al., 2022](#)), Italy (e.g. [Harjoto and Rossi, 2019](#); [Cebula and Rossi, 2021](#)) and Portugal (e.g. [Montenegro, 2017](#)), use different measures of religiosity than those used in studies of the USA. Thirdly, previous studies (e.g. [La Porta et al., 1999](#)) find that the legal systems of countries are a determinant of firm value. Common law and civil law countries operate under two distinct legal systems. Stakeholders in common law countries enjoy stronger protection than those in civil law countries. Firms based in common law countries issue less debt and have larger stock markets than those based in civil law countries.

Family ownership is more diffuse in civil law countries and the role of the board of directors differs between common law and civil law countries. The latter are countries where there is a higher level of debt, which is often used as a tunnelling tool to the detriment of non-controlling investors. Agency problems take on a different nature (e.g. [Villalonga et al., 2015](#)) when comparing the two legal systems. It is noteworthy that several studies (e.g. [Chintrakarn et al., 2018](#); [Du, 2013](#); [Kim and Daniel, 2016](#)) find that religiosity is a tool that can mitigate agency costs, particularly in countries with weaker institutions that offer less protection to stakeholders. Finally, our analysis of the existing literature suggests that much of it has focused primarily on listed companies operating in common law countries. On this last point, we find a gap in the literature review. A greater focus on companies and religiosity in civil law countries could add considerable value to the literature.

In all the papers reviewed (i.e. in 100% of the cases), we find that all religious denominations influence business decisions. In particular, we find that religion has a positive effect on ethical behaviour and CSR, a negative effect on risk-taking and cash holdings, and tends to be an effective means of controlling agency costs. Some differences were found between Western and Eastern religious denominations with regard to cash holdings. For example, the sign of the relationship is not always clear for Eastern religions (Buddhism, Taoism, Confucianism). At the same time, there is a similarity between Catholics and Buddhist and Taoist countries, where firms tend to pay more dividends.

5. Conclusion and practical implications

The concept of religion is a social characteristic based on a self-assessment in which individuals examine their beliefs and values in different ways within the context of a broader social framework. This study explores the definitions of culture and highlights its impact on organisational behaviour and performance by examining the relationship between religion and economic development. The correlation between religiosity and decision-making was indeed confirmed in this study. To the authors' knowledge, there are no similar previous survey studies on this topic at this time, so it is not possible to compare or contrast our findings with previous research. The study that most closely resembles the present one is research by [Habib et al. \(2023\)](#), but religion is only one aspect of their systemic research, alongside gambling norms, corruption and social trust. [Habib et al. \(2023\)](#) found the consequences of local social norms in accounting, finance and corporate governance at *firm* level. However, the study does not consider the mechanisms by which social norms influence management decisions at *individual* level. This could be explored in experimental studies, which allow researchers to observe human behaviour in an interactive setting.

This study not only contributes to existing literature, but also provides practical implications, such as offering a new starting point for further systematic literature reviews in this area and acting as a comprehensive resource for researchers studying the influence of religiosity in business settings. In addition, the paper highlights the importance of religiosity as a valuable determinant in empirical models, demonstrating its potential to enhance the specification of empirical models and minimise the impact of omitted variable bias.

Our study makes two important practical contributions. Firstly, we provide a comprehensive literature review that can be used by future research to investigate other unexplored areas (e.g. the impact of religiosity on corporate financial decisions in small and medium-sized enterprises [SMEs]). Future research should focus more on firms operating in single civil law countries, particularly on personal religiosity, and more broadly on managers' cultural characteristics, to better understand behavioural financial decisions. Another largely unexplored area of research concerns the relationship between cultural dimensions and decision-making in SMEs. This study could stimulate research into other areas not yet explored in the literature, such as financial distress, firm longevity and insolvency, particularly in SMEs. Furthermore, future empirical work should incorporate cultural variables into its econometric specifications.

Secondly, our study has important implications for management. In practice, it may be useful for owners, investors and practitioners to be aware that social values, particularly religion, influence decision-making. A country's national culture, especially its religion, plays a key role in shaping the organisational and financial behaviour of firms. Owners and investors (e.g. venture capitalists, investment bankers and mutual funds) can make decisions about which countries to invest in partly by examining the specific social values of each country. Before appointing managers and directors, it can be very helpful for business owners to understand whether managers and directors are influenced by their personal culture, including religious beliefs, when making business decisions. In practice, personal beliefs may influence decision-making more than "first best" criteria. Knowing that religiosity has an impact on ethical behaviour, CSR, corporate governance, corporate financial decisions risk-taking and the value of the firm, current and potential owners and investors can benefit from this additional information, which was previously both unknown and not taken into account. In defining the guidelines for ethical behaviour and good corporate governance practices in companies, policymakers could consider integrating awareness of religious and cultural values, as religiosity has an influence on corporate financial decisions. Above all, it plays a positive role in promoting transparency, limiting misconducts and enhancing CSR. Investors could benefit from the inclusion of religiosity indicators (and therefore cultural proxies) in the assignment of both financial and ESG ratings. Corporate leaders might leverage religiosity to promote an ethical organisational culture and strengthen stakeholder trust. Furthermore, regulatory and cultural interventions that promote ethical training and encourage alignment between corporate practices and social norms could amplify the positive impact of religiosity on corporate behaviour.

Finally, we acknowledge the limitations of the existing empirical literature. Most popular articles use national-level data, which is rarely collected on an annual basis. Surveys, which are necessary for this type of research, are only carried out occasionally. This has naturally left researchers with the limited option of using data from only these specific years or using linear interpolation to estimate the social capital values for missing years. However, linear interpolation is the least sophisticated and least accurate interpolation method and is subject to estimation inefficiencies (Kidner *et al.*, 1999). In addition to these limitations, it should be noted that there can be a significant discrepancy between religious affiliation and actual religious practice (Blagojevic and Jovanovic-Ajzenhamer, 2021). Future studies should also include cross-cultural and cross-national data sets that allow for comparative analyses taking into account cultural, legal and economic differences.

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Note

- [1] [Appendix](#) provides a comprehensive list and classification of the most relevant studies to this survey. In addition, the ABDC ranking of each article's journal is provided. The ranking system, which includes A, A, B and C ranks, is an attempt to ensure the quality of the literature base considered in this paper. The term "sample" refers to the study period considered in each of the papers reviewed.

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Corresponding author

Fabrizio Rossi can be contacted at: fabrizio.rossi@deams.units.it

Table A1 List and classification of the most relevant studies to the survey

Studies	Country	Period/sample	Religious denominations	Dependent variable	Sign relationship	ABDC ranking
<i>(a) Religiosity, managerial decisions and business ethics</i>						
Hilary and Hui (2009)	USA	1971–2000	Protestant Catholic Orthodox other Christian Jewish	Standard deviation of stock returns	(–)	A*
		The sample size varies from 71, 177 to 130,241 firm-year observations		Standard deviation of return on assets	(–)	
				ROA	(+)	
				Investments	(–)	
				R&D	(–)	
				Growth	(–)	
				CSR	(+)	A
Harjoto and Rossi (2019)	Italy	2002–2014	Local religiosity (Catholics)		(+)	
		156 Italian listed companies for 2,028 firm-year observations	CEO religiosity		(+)	
Montenegro (2017)	Portugal	2003–2008 78,177 firm-years for Sample A, and 69,756 firm-years for Sample B	Local religiosity (Catholics)	Earning quality	(–)	C
McGuire et al. (2012)	USA	2006–2008 236 Metropolitan Statistical Areas	Religiosity measured as the proportion of respondents in each MSA who indicate they are affiliated with a religion	Financial irregularities	(–)	A*
Cai and Shi (2019)	USA	1990–2010 18,867 firm-year observations	CEO religiosity	Earning management	(–)	A
Nazrul et al. (2022)	USA	1999–2020 2717 firms and 6497C-suite executives are covered	CEO and C-suite executives' religiosity	Disclosure practices	(+)	B
Dimic et al. (2024)	USA	2012–2020 98 large, publicly listed US firms for 706 firm-year observations	Local religiosity and corporate religiosity (Faith Equality Index used as the measure of firm-level religiosity and county religiosity)	CSR	(+)	C
<i>(b) Religiosity and corporate governance</i>						
Chintrakarn et al. (2017)	USA	1990–2006 14,963 firm-year observations	% of religious adherents (county level)	Governance index	(+)	B
Du (2013)	China	2001–2010 10,363 firm-year observations	Buddhism and Taoism	Agency costs (proxies)	(–)	A

(continued)

Table A1

Studies	Country	Period/sample	Religious denominations	Dependent variable	Sign relationship	ABDC ranking
Chintrakarn <i>et al.</i> (2018)	USA	1992–2010 9,838 firm-year observations	% of religious adherents (county level)	Cumulative abnormal returns (CAR) of acquirers	(+)	B
Kim and Daniel (2016)	32 countries	2006–2010 160 country-year observations from 32 countries	Local religiosity	Protestants are associated with stronger corporate governance	(+)	B
(c) Religiosity and corporate financial decisions						
Chen <i>et al.</i> (2016)	29 countries	1994–2008 36,147 facility-year observations	Principal component factor derived from the three religion variables: (a) member of religion, (b) religion important (c) and religion services	Loan spread	(–)	A*
Baxamusa and Jalal (2014)	USA	1981–2008	Protestant counties	Leverage	(–)	B
Baxamusa and Jalal (2016)	USA	91,711 firm-year observations 1992–2010	Catholic counties Catholics CEO	Equity	(+) (+)	A
Ucar (2016)	USA	457 CEOs	Protestant CEO	Debt	(–)	A
			Local religious affiliation	Equity	(–)	
				Debt	(+)	
				Dividend payer	(+)	
Rossi <i>et al.</i> (2019)	Italy	80,049 firm-year observations	Local religiosity (Catholics)	Dividend payouts	Protestant (–) Catholics (+)	C
Mertzanis <i>et al.</i> (2023)	139 developing countries	2000–2016 155 Italian firms for 2,382 firm-year observations	Local religiosity	External financing	(+)	A
Zhang <i>et al.</i> (2024)	8 Asian emerging economies	2011–2022	Local religiosity (Christianity, Islam, Hinduism and Buddhism)	Financial debt	(–) Islam	B
		740 non-financial (manufacturing) firms			(+) Christianity and Hinduism	
(continued)						

Table A1					
Studies	Country	Period/sample	Religious denominations	Dependent variable	Sign relationship ABDC ranking
<i>(d) Religiosity and corporate risk-taking</i>					
Gharbi <i>et al.</i> (2021)	USA	1974–2010 78,317 firm-year observations	Local religiosity	Financial distress (Z-score)	(–) B
Cebula and Rossi (2021)	Italy	2000–2016 2,382 firm-year observations	Local religiosity	Corporate risk-taking	(–) B
Diez-Esteban <i>et al.</i> (2019)	37 countries	2007–2015	Catholicism/Orthodox, Protestantism, Islamic and Eastern religions (Buddhism, Hindu and Shinto)	Corporate market risk and Z-score	(+) Protestant B
		5,572 companies for 34,251 firm-year observations			(–) Catholics (–) Islam (n.s.) Eastern religions
<i>(e) Religiosity and cash holding</i>					
Hu <i>et al.</i> (2019)	USA	1980–2010 80,709 US firm-year observations	Local religiosity	Cash holding	(–) Protestant A
Li <i>et al.</i> (2021)	China	2006–2019 21,387 firm-year observations	Local religiosity (Buddhist)	Cash holding	(+) B
Chen <i>et al.</i> (2020)	China	2004–2015 2,352 firms for 17,924 observations	Confucianism	Cash holding	(–) B
Xiong <i>et al.</i> (2022)	China	2007–2018 23,999 firm-year observations	Local religiosity (Buddhism and Taoism)	Cash holding	(–) B
Source(s): Authors' own work					