

Religious culture and corporate charitable donations¹

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Abstract. This paper empirically examines the impact of religious culture on corporate charitable donations by using data from Shanghai-Shenzhen A-share listed companies in 2010-2018. The study found that the more religious culture the company has, the more social charitable donations the company has. This paper enriches and expands the research on religious culture and corporate donation, which has certain theoretical and practical significance for us to know and understand the donation behaviour of enterprises.

1. Introduction

With the rapid development of philanthropy, the difference between the amount of corporate donations is becoming more and more obvious (Shan Liwei et al., 2008). Why do companies make charitable donations? What determines the level of charitable giving in a company? The mainstream view is that corporate charitable donations are “self-interested” actions that are consciously adopted to fit social norms or seek economic incentives – or to build reputational capital in order to seek economic incentives (Shan Liwei et al., 2008; Fang Junxiong, 2009), or the motivation for institutional norms in order to seek political resources (Dai Yiyi, 2014). However, the so-called charitable motives of economics include both “selfish” preferences and “altruistic” preferences (Becker, 1976). From the nature of charitable giving, companies must maximize not only economic benefits, but also the welfare of others they care about (Sharfman, 1994). The existing literature ignores the fact that the behavior of individuals and organizations is determined by their values and social norms. An important factor in shaping or influencing values and social norms is religion (Iannaccone, 1998). Donations as a kind of prosocial behavior are often influenced by pro-social values, and almost all religions in the world advocate poverty alleviation and help others, so that it is possible to successfully shape pro-social concepts and attitudes. In addition, donation is related to the effective supply of public goods, so group pressure is often an important factor affecting donations, and the formation of group pressure often requires organizational recognition. In all informal organizations, religious organizations are often vital and may have a significant impact on donations.

Therefore, this article attempts to explore the question of whether the religious culture of the company's location will affect the charitable donation of the company.

In order to answer the above questions, this paper takes China's Shanghai and Shenzhen A-share listed companies as a sample from 2010 to 2018. From the micro level of the enterprise, it is investigated whether the religious culture atmosphere of the company's region will affect the charitable donation behavior of listed companies. The study found that the more religious culture the company has, the more social charitable donations the company has.

The contributions of this paper are reflected in: First, the related research on the influencing factors of corporate charitable donations has been expanded. Based on the perspective of “religious economics”, this paper studies how religious culture affects corporate charitable donations. This

paper is different from the research that has focused on the motivation of corporate charitable donations from the perspective of motives for seeking economic motives or obtaining political resources. A deeper understanding of the real motives and influencing factors behind corporate social responsibility and charitable giving. Second, the research in this paper enriches the research on the influence of religious culture on corporate financial behavior. Previous studies have mainly analyzed religious culture's risk-taking behaviors such as financing decisions, credit risk, investment decisions, and stock market participation (Malmendier et al., 2011; Dittmar & Duchin, 2015; Benmelech & Frydman, 2015; Bernile et al., 2016) This article further provides new evidence for the study of religious culture and corporate financial decision-making from the perspective of “charity donation”.

2. Theoretical analysis and hypothesis

Religious moral constraints and values shaping theory believe that religion will shape the morals and values of its followers. Religion has two basic attributes (Stark & Finke, 2002), one is cultural attributes (supernatural beliefs and afterlife beliefs), the other is institutional attributes, cultural attributes make religion different from other secular organizations, and institutional attributes make religion different from religion. Non-institutional supernatural beliefs such as witchcraft, these two attributes of religion have an important impact on economic and financial development. Among them, religion through its cultural attributes shape the morality and values of believers, directly affecting the economic and financial decision-making behavior of believers. Religion forms the values and beliefs of believers, which further influences their behavior and decision-making (Iannaccone, 1998). At the same time, religion has the role of social norms and affects the way individuals behave. Specifically, people prefer to keep their words and deeds consistent with their peers (Kohlberg, 1984). Individual actors often take appropriate actions according to social norms and try to avoid the cost of supporting their own groups, especially to avoid refusal. Failure to comply with the costs or penalties of widely accepted norms, beliefs or beliefs (Sunstein, 1996), if managers do not comply with social norms, they will bear the corresponding costs, when the degree of compliance of the group to which the manager belongs When it is raised, managers will gradually accept religious norms (Akerlof, 1980).

Therefore, a strong religious culture will have a deep impression on the behavior of company shareholders and executives (Clark & Dawson, 1996), mainly in the following three aspects: (1) risk aversion. The study found that individuals with religious beliefs have a greater sense of risk aversion, that is, individuals may be more cautious in their way of social behavior due to their religious beliefs, and will consider more influence and feedback on the surrounding environment (Clark & Dawson), 1996b). When an individual knows the pain and risks faced by others, he or she will also feedback to himself, causing emotions such as compassion and compassion. Therefore, individuals who have religious beliefs will pay more attention to charity; (2) honesty and trustworthiness. When individuals are evoked by certain moral principles (such as religious beliefs), they tend to disclose real personal private information (Mazar et al., 2008). Therefore, charitable donations of individuals with religious beliefs or companies with greater religious influence will be more credible and voluntary. In addition, religious beliefs will encourage companies or individuals to donate more money, because the persistence of faith may enhance the motivation of this behavior because of their attachment to the religion they believe in; (3) the persistence of behavior. Take Buddhism, the most popular audience in China, as an example. The “reincarnation” concept advocated by Buddhism connects the life of the world with the fate of the afterlife or whether it can be achieved. Therefore, the “origin” of an individual's current behavior will inevitably lead to the “fruit report” of his future happiness, and personal behavior has a long-term nature. The “causal rules” commonly used in religions lead to personal behaviors that no longer only care about themselves, but maximize the same care for the surrounding environment (Vasconcelos, 2010). Therefore, religion influences corporate social responsibility and awareness by shaping and influencing the way shareholders and executives act (Ellen, 1998). Therefore, based on the above analysis, this paper proposes hypothesis 1:

H1: The company's charitable donations are positively related to the intensity of the religious culture, while other conditions remain unchanged.

3. Research design

3.1. Sample selection and data source

This paper takes Shanghai-Shenzhen A-share listed companies as research samples from 2008 to 2018, and processes the data according to the following principles: (1) Excluding financial and insurance listed companies; (2) Excluding SMEs and GEM listed companies; (3) Excluding the missing sample of financial data; (4) In order to better examine the influence of religion, this paper limits the sample scope to 26 provinces and municipalities directly under the central government (ie not including Xinjiang, Inner Mongolia, Guangxi, Ningxia and Tibet). Listed companies in 5 autonomous regions). On this basis, since the three provinces of Gansu, Hainan and Qinghai do not contain any national key temples, this article will delete them. Finally, the sample of this paper is limited to listed companies registered in the remaining 23 provinces (municipalities); (5) exclude listed companies that cannot determine the latitude and longitude; (6) in order to avoid the influence of singular values, this paper also considers the continuous variables up and down 1 % has been processed by Winsorize. Finally, 23,389 observation samples were obtained. The financial data of this paper comes from the CSMAR and WIND databases.

3.2. Definition of variables

3.2.1. Corporate charitable donation (Donation). Drawing on the practice of Shan Liwei et al. (2008), in order to ensure the stable establishment of the results, this paper uses the following three methods to measure corporate donation behavior: the ratio of total charitable donations to business revenue (Donate_rev), and the proportion of charitable donations to total assets (Donate_ta), the natural logarithm of the amount of charitable donations (Ln_donate).

3.2.2. Religious atmosphere (Religion). Drawing on the practice of the existing literature, the distance between the place of registration of the listed company and the venue of religious activities is used to measure the influence of the religious traditions of the listed companies. Using Google-Earth, Baidu map and other Internet tools, manually collect the registered address of the sample listed company and the latitude and longitude coordinates corresponding to 148 provincial key temples. Using the above coordinates, calculate the distance between each listed company and 148 key temples. If there are influential temples near the place where the listed company is registered, listed companies are more susceptible to religious traditions. Religion_200 and Religion_300 represent the number of key temples within 200/300 km of the registered company's registered location, respectively.

3.2.3. Control variables. For control variables, learn from Brammer & Millington (2008) and Zhang et al. (2010) and so on, this paper controls the following variables: cash holdings (Cash_{*i, t-1*}), asset-liability ratio (Lev_{*i, t-1*}), company size (Size_{*i, t-1*}), research and development Performance (Lnpatent_{*i, t-1*}), company performance (ROA_{*i, t-1*}), company value (TobinQ_{*i, t-1*}), advertising expenditure (Sellsexp_rev_{*i, t-1*}) board size (Boardsize_{*i, t-1*}), political association (Polico_{*i, t-1*}), company registration law index (Lawscore_{*i, t-1*}), property rights (Soe_{*i, t-1*}), company listing age (Age_{*i, t-1*}), per capita GDP of the province where the company is located (Gdp_percapita_{*i, t-1*}), dual job integration (Dual_{*i, t-1*}), and independent director ratio (Indep_{*i, t-1*}). In addition, annual dummy variables and industry dummy variables are added to control annual and industry fixed effects.

3.3. Model design

In order to test the influence of religious culture on corporate donation, this paper constructs a regression model (1), as follows:

$$\bullet \text{ Donation}_{i,t} = \beta_0 + \beta_1 \text{Religion}_{i,t} + \beta_2 \text{ControlVariables}_{i,t} + \varepsilon \quad (1)$$

Where, β_0 is the intercept term, ε is the residual term, $\beta_1—\beta_2$ is the regression coefficient.

4. Empirical research results and analysis

4.1. Descriptive statistics

Table 1. Descriptive statistics of the main variables

variable	Sample size	average	Standard deviation	Minimum	Median	Maximum
Donate_ta	23389	0.610	0.107	0	0.021	0.256
Donate_rev	23389	0.207	0.216	0	0.032	0.512
Ln_donate	23389	3.956	1.752	0	4.128	7.351
Religion_200	23389	8.1100	7.1200	0	6	29
Religion_300	23389	14.1500	12.4200	0	11	44

From the statistical results of the main variables shown in Table 1, it can be seen that the average value of Donate_ta indicates that about 61% of listed companies have had donations, indicating the awakening of the social responsibility awareness of listed companies in China. The company is participating in social charitable donations. The mean value of Donate_rev is 0.207, which indicates that the sample company's charitable donations accounted for 0.02% of the operating income; in addition, the standard deviation of Ln_donate was 1.752, indicating that there is a big difference in charitable donations between different listed companies. In terms of the main explanatory variables, the average value of Religion_200 (Religion_300) is 8.1100 (14.1500), which indicates that there are 8 temples within 200 km of the enterprise registration, and the maximum number is 29, and the minimum is only 0. When the range is extended to 300 km, the average number of temples is about 14, up to 44, and the minimum is still zero.

4.2. Regression analysis

Table 2. Test results of the influence of religious culture on corporate charitable donations

variable	Donate_ta _{i, t}	Denatured _{i, t}	Ln_donate _{i, t}
Religion_{i, t-1}	0.026*** (2.59)	0.046** (2.37)	0.238* (1.77)
Cash_{i, t-1}	0.019 (0.87)	- 0.030 (-0.72)	0.857*** (2.85)
Levi, t-1	0.009 (0.56)	- 0.030 (- 0.96)	0.374 (1.49)
Size_{i, t-1}	- 0.003 (- 1.08)	- 0.009* (- 1.70)	0.856*** (20.62)
Lnpatent_{i, t-1}	0.000 (0.01)	- 0.006** (- 2.25)	0.054** (1.99)
ROA_{i, t-1}	0.147** (2.53)	0.126 (1.23)	3.674*** (5.51)
TobinQ_{i, t-1}	0.012*** (4.43)	0.018*** (3.47)	0.115*** (3.91)
Sellsexp_rev_{i, t-1}	0.135*** (2.81)	0.198** (2.44)	1.602*** (3.50)
Boardsize_{i, t-1}	0.013 (1.01)	0.006 (0.24)	0.047 (0.23)
Polico_{i, t-1}	0.021*** (2.63)	0.027* (1.85)	0.366*** (3.54)
Lawscore_{i, t-1}	0.004*** (2.90)	0.004* (1.65)	0.063*** (3.79)
Soe_{i, t-1}	- 0.014*** (- 2.83)	- 0.034*** (- 3.40)	- 0.376*** (- 4.62)
Age_{i, t-1}	- 0.000 (- 0.76)	- 0.000 (- 0.04)	- 0.018** (- 2.07)
Gdp_percapita_{i, t-1}	- 0.002	- 0.004	- 0.038*

	(- 1.21)	(- 1.41)	(- 1.69)
Dual _{i, t-1}	0.006 (0.69)	0.021 (1.31)	0.119 (1.12)
Indep _{i, t-1}	0.045 (1.00)	0.080 (1.03)	0.447 (0.67)
Year	control	control	control
Industry	control	control	control
Obs	23389	23389	23389
Adj.R2	0.18	0.15	0.44

Note: The value in the brackets is t, *p < 0. 10, **p < 0. 05, ***p < 0. 01. In the regression, cluster by firm processing was also carried out, and Robust was used to control the heteroscedasticity problem.

Table 2 shows the impact of religious culture on corporate charitable donations. It can be seen from the table that the coefficient of Religion $i, t-1$ in regression (1) is 0. 026 and is significantly positive at the level of 1%, indicating that the company has a strong religious and cultural atmosphere in the region where the company is located. The amount of charitable donations is also increasing. In the same way, the regression results of regression (2)-(3) can also observe similar findings. As the religious culture of the company is growing, the amount of charitable donations of the company is also increasing.

5. Robustness test

5.1. Redefining religious culture

Referring to Du (2013; 2014), this paper re-separated by 20 km, and counted the number of religious sites within 120, 140, 160, 180, 220, 240, 260 and 280 km of the company's registered place, and re-examined the hypothesis and returned. The results remain basically unchanged.

5.2. Endogenous problems

The above regression results show that religious culture has a significant impact on corporate donations. However, there may be some missing variables that affect religious culture and corporate donations, leading to bias in empirical results. In order to solve this potential endogeneity problem, this paper draws on the existing literature (Chen Donghua et al., 2013) to introduce the number of award-winning religious sites owned by the province where the enterprise is registered, divided by the province's population as a tool variable of religious culture. 2SLS regression. The test results show that the original hypothesis is still established after controlling for potential endogeneity problems.

6. Research conclusions

This paper selects the listed companies in the Shanghai and Shenzhen A stock markets from 2010 to 2018 as a sample to study how religious culture affects corporate charitable donations. The study found that the more religious culture the company has in the company, the more charitable donations the company has.

The conclusions of this paper have important theoretical and practical significance. This paper expands the research on the influencing factors of corporate charitable donation from the perspective of "religious culture", and examines how the religious culture of the enterprise location affects the charitable donation behavior of enterprises. The conclusions of this paper show that a strong religious and cultural atmosphere will promote and enhance the sense of corporate social responsibility and actively participate in charity.

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