

## Religious Faith and Its Impact on Investment and Financial Decisions

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**ABSTRACT:** Faith, a strong belief in the doctrines of a religion, based on spiritual conviction. Faith is nursed in the minds of people from the beginning of time. It gives them a sense of belonging, confidence and security. Everyone believes in something and that conviction determines their way of life. There is a tendency in people to base their everyday investment and financial decisions on religious faith to some extent. Religious faith plays a vital role in socio-economic and cultural spheres of human life and thus, invariably impacts the investment and financial decisions of individuals. This paper makes an attempt to understand the role of religious faith in investment and financial decisions made by young and middle age adults in their day-to-day life. Random sampling method is used to select the samples and questionnaire is devised for collection of primary data.

**KEYWORDS:** *Belief, Decision-making, Finance, Investment, Religious Faith.*

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### I. INTRODUCTION

“Eight out of ten people believe in something greater than themselves. Faith impacts every sphere of global life, and every sector of global economy.”—Chris Seiple, President, Institute for Global Engagement.

Faith is confidence or trust in a person, thing, concept or a particular system of religious beliefs. We all have strongly-ingrained faith that exists deep within our mind. This faith influences our decision making in various spheres of our day-to-day life, including the socio-economic sphere. People tend to associate with religious faith for various reasons, it could bring meaning and confidence to them and provide a sense of belonging to individuals. Consciously or unconsciously when people identify themselves with religious faith, they feel secure and have the courage to make strong decisions. While some believe for religious faith to favour them, others could be of a different opinion. These individuals are more likely to consider or find balance between various other factors involved in making certain strong decisions.

Financial decisions are among one of the vital decisions people make for themselves or their family. Finance can be defined as the management of money and it includes activities like investing, borrowing, lending, saving etc. In this study, our focus lays in the field of behavioural finance.

Behavioural finance focuses on the irrational behaviour of the individuals in the economy and attempts to explain finance from a broader social science perspective including psychology and sociology. On the whole, behavioural finance is all about understanding how people make their decisions, both individually and collectively.

Three prominent social theorists [Emile Durkheim, Max Weber and Karl Marx] who were reacting to the great social and economic upheaval of the late nineteenth century and early twentieth century in Europe, attempted to examine the relationship between religion, economy and society.

According to them, religion is an integral part of the society. For Durkheim, religion is a force for cohesion that helped bind the members of society into a group, Weber believed that religion could be understood as something separate from society. Marx considered religion, economy and the worker as inseparable units. He also believed that religion could not be understood away from the capitalist society that perpetuated inequality. Despite their different views, these social theorists all believed in the centrality of religion to society and economy.

Max Weber (1864–1920), is a German sociologist and political economist who examined the effects of religion on economic activities and observed that heavily Protestant societies were the most highly developed capitalist societies. Weber also noted that certain kinds of Protestantism motivated believers to work hard, be successful, and not spend their profits on frivolous things by encouraging the pursuit of material gain.

For Karl Marx (1818–1883), religion was just an extension of working-class (proletariat) economic suffering. Marx famously asserted that religion “is the opium of the people” (1844).

Today, in a world full of scientific and technological advancement, religion still plays an important role in diverse decisions of everyday life. Despite the different religions people follow, there are a set of beliefs that consciously or unconsciously affect one’s financial decisions. For instance, both Bible and Quran contains several references prohibiting the practice of Usury and Riba (a term commonly used to describe lending money for high interest) respectively. There is also a tradition amongst the Hindus to make investments in jewellery, fixed deposits, bonds etc specifically on the occasion of Dhanteras or Akshaya Tritiya.

According to Renneboog and Spaenjer’s analysis (to investigate whether religiosity impacts household finances) of DNB Household Survey of about 2,000 households in the Netherlands during the period of 1995-2008, there were differences in the economic attitude and financial decisions of religious and non-religious households. It was particularly found that religious households are more likely to save than non-religious households and Catholic households are less likely to invest in stocks. Authors also acknowledge the fact that other factors also influence individuals’ economic decisions.

The role of religion in economic development has been a highly debated concept from centuries. To our knowledge and literature in hand, our study is one among the few studies that attempts to investigate the relation between religious faith and economic decisions in the society. This paper tries to explore the impact of individual’s religious faith on his/her financial and investment decisions. It provides additional information to the view that religious beliefs play an important role in economic decisions, by validating the influence of religious faith on patterns of investment and financial decisions.

## **II. LITERATURE REVIEW**

According to Max Weber, the ideas, beliefs, values and ethics of a religion provides a framework which guides people in their conduct, even in their economic sphere of life.

Nizar and Marzouki, (2013) are of the understanding that a person’s beliefs are likely to be strongly related to his/her religion, either by directly i.e., sacred texts, or indirectly i.e., the culture of the individual, which is influenced by religion.

Fostering religion-based spirituality might improve decision-making. It could influence the behaviour of the members by complementing the moral and ethical guidelines already in place in order to resolve ethical dilemmas Mario,(2006). McCleary and Barro,(2006) in their empirical work “Religion and Economy”, focusing on the interplay between religion and political economy, state that “religious beliefs enhance economic growth by shaping individual traits and values”. Gary,(2009) in his study has found that faith and finance are closely inter-linked. Brian and Todd, (2006) in their study have stated that a majority of religious investors exercise faith in their financial decisions. Walid and Mouna, (2014) debate about effects of religion on financial and investing decisions by drawing upon works of prominent sociologist and economist like McCleary and Barro, Weber, Miller and Hoffmann etc. They infer from the literature that religion acts as an important influencer of economic determinants in different levels (personal, firm, corporate and macroeconomic). It is seen that religion can play as both, a positive and a negative influencer in decision making. While religion can positively influence prosocial behaviour and hence economic prosperity, it can also restrict certain investments in the name of religious norms and values. In an attempt to understand religion at micro levels, i.e., how religion, economic attitudes and household finance play a joint role in shaping individuals’ financial decision making process, Renneboog and Spaenjer, (2011) study the economic patterns of Catholics and Protestants groups of Christianity, in detail. The findings of their study stand in support to the view that religious faith impacts financial decisions through different economic attitudes.

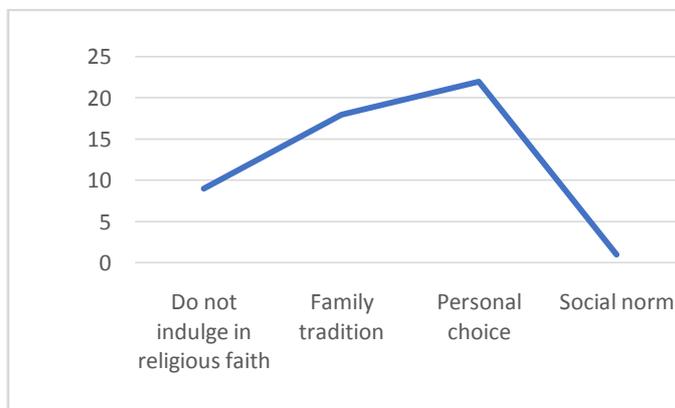
## **III. METHODOLOGY**

The paper is based on primary and secondary data. Articles, research papers, and journals were used to gather secondary data. Questionnaire was devised to collect the primary data. Fifty participants of the age group 18-35 years, 36 and above years were respectively chosen to participate in the study. Questions were constructed in a Google form and the link to the same was shared in different social media platforms. This form outlined the procedure. To ensure that the ethics of research are maintained, the consent of the participants were taken prior to answering the questions. A brief introduction to the topic of the research was elucidated. Demographic details of the participants were asked which included Name, Gender(male/female/other), Age group (18-35 years, 36 and above years), Religion, Email ID, Nativity (Bangalore, other cities in Karnataka, other cities in India). The questions were divided into two broad categories. The first part focused on individual’s interests/involvement in religious faith and the role it played in their financial decisions. The second part concentrated on understanding the role of religious faith in an individual’s investment patterns and outcomes that followed the same. The respondents were to choose from the options provided under each

question, except for a few open-ended questions. Simple statistical analysis was done using Microsoft excel. Confidentiality was assured and maintained.

**IV. DATA ANALYSIS AND INTERPRETATION**

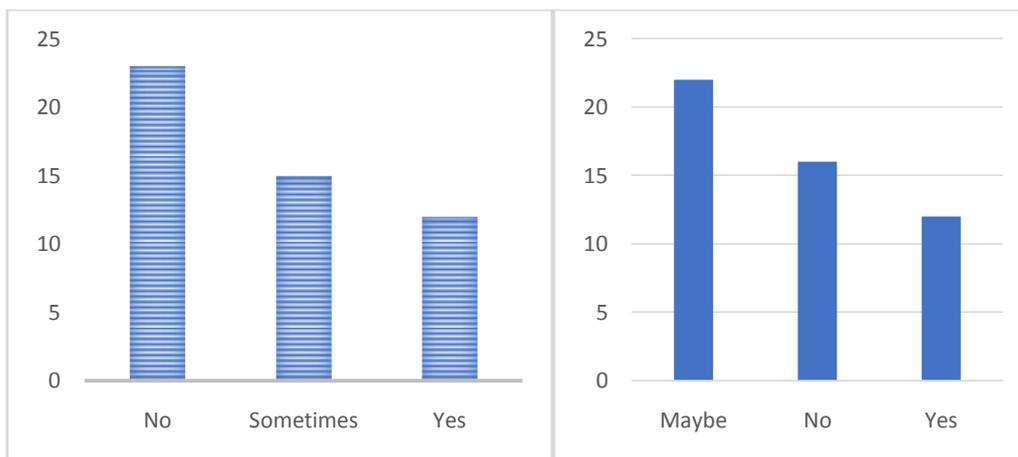
From the data collected, the respondents were mainly of the religions- Hinduism, Christianity, Jainism and Islam. The demographic divide of the participants was such that more than half of the population were under 18-35 years of age (76%) and the rest were of 36 and above years of age (24%). Among this population, the highest respondents were female(60%) and rest were male(40%).



**Figure1.1** Reasons to indulge in religious faith

The first part of the questionnaire focussed on understanding the respondents’ belief in religious faith and the reasons for them to indulge in religious faith.

The above figure 1.1 manifests that for 50% of the population, to indulge in faith is their personal choice, 18% of the population do not indulge in religious faith, 2% and 30% gave social norm and family tradition respectively as their reason to indulge in religious faith.



**Figure 1.2** Investments made particularly with regard to auspicious day/time  
**Figure1.3** Faith adding meaning to financial decisions.

The study also tried to understand if individuals look into any auspicious day or time while making an investment decision. This would, at least at some level, reflect their extent of involvement or dedication in religious faith. As ascertained from the above graph (Figure 1.2), 46% of the respondents are not particular of making investments on auspicious days alone, 30% of the respondents, sometimes do tend to rely on auspicious days for making investment decisions and sometimes not, while 14% of the respondents firmly believe in making investment decisions with regard to certain auspicious day/time.

Figure 1.3 is indicative of the meaning religious faith could bring to individuals with regard to their financial decisions. While most of the respondents (44%) are unsure if faith adds meaning to their financial decision, (32%) believe that faith do not add any meaning to their financial decisions and (24%) of the population resolutely believe for it to add meaning to their financial decision.

As understood from the above data, despite the fact that a significant number of respondents do not look into days or specific time of the day that they consider to be auspicious, to make investment decisions (representative of their involvement in faith), most of them still believe that faith might bring potential meaning to their investment patterns or financial decisions.

## V. FINDINGS

The findings of the research suggest that religious faith, even to this date, plays a role in individuals' financial decisions alongside all the other factors that could contribute to positive outcomes an investment could generate. Some of the respondents in the study strongly based their investment and financial decisions on religious faith, they were of the opinion that considering religious factors and having faith in the same would potentially yield fair results. The other majority of respondents urged to look into all the other factors that is involved in making an efficient financial decision, these were of the opinion that religious faith could only play a meagre role in individuals financial decisions and that the potential outcomes an investment could generate should be given much importance.

## VI. CONCLUSION

Religious faith has played a significant role in individuals life from time immortal. In one way or the other this faith has given people identity of a sort, bound them to behave in a certain way and oblige to a pre-defined social structure. Of the many arenas of individuals' life that religious faith plays its part, economic decisions is also one. The history of earlier times suggest that religious faith has had a direct influence on the investment patterns and other financial decisions of people. With passing of time and through dynamics of the changing world, the influence of religious faith on economic decisions might have subsided but not completely effaced. The evidences sort from the study indicates that religious faith, even to this date, directly or indirectly impacts individuals' investment patterns and financial decisions.

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