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Christianity Religion: Does it have an Effect on Individual Risk Appetite and Individual Perceptions on Investment Decisions and Choices?



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ABSTRACT

Religion can generally be referred to as a conciliation of powers superior to man which are believed to direct and control the course of nature and of human life. Despite having various religions in the world, previous researchers have suggested that Christianity religion is the world biggest religion with followers ranging from 2.1 billion to 2.4 billion according to different scholars. The main purpose of this research study was to ascertain if Christianity religion had an effect on both individual risk appetite and individual perceptions on investment choices and decisions. Judgmental sampling was used to select 20 respondents from Reformed Church in Zimbabwe (RCZ), Head Office, Rhoden and Rujeko Congregation, Masvingo, Zimbabwe who were already involved in investment activities ranging from stock market investments to entrepreneurial investments. Closed-ended questionnaires were used to collect data and data was presented using frequency tables, bar graphs, and pie charts. The study findings revealed that Christianity religion had an effect on individual risk taking appetite as evidenced by the respondents' lack of willingness to participate in both high-risks traditional gambling and investing in high-risk stocks on the stock market. The research study also showed that Christianity religion shapes individual perceptions on investment choices and decisions as evidenced by majority respondents' lack of willingness to neither invest in stocks driven by hazardous products on the stock exchange nor undertake entrepreneurial investment activities like beer selling business and tobacco farming. The study contributes to the effect of religion on risk appetite and investment choices. A further study is recommended to the extent to which traditional gamblers engage in high-risk stocks investments on the stock market.

INTRODUCTION

Researchers from various academic disciplines have examined religion's influence upon people's values, habits, attitudes, and behaviour, for example, Lehrer (2004) provides a critical review of the effect of religion on the choice of marital partner, marital stability, entry into cohabitation and marriage, divorce, fertility, women's work at home and in the labour market, education, wages, and wealth. From a more business perspective, earlier researchers confirmed the effects of religion on managerial actions in organisations for example, that firms located in countries with higher levels of religion display lower degrees of risk exposure and lower investment rates; religion is associated with lower levels of financial reporting irregularities; capital structure decisions are impacted differently depending whether a firm is located in a country with a Catholic or a Protestant majority ; religion reduces financial reporting irregularities and abnormal accruals and increases real earnings management . This research paper seeks to ascertain the effect of Christianity religion values and norms on individual risk appetites as well as individual perceptions on investment decisions and choices. The Christianity religion have got its values and norms which believers adhere to and tend to have an effect in their decisions socially (for example on marriage, some do not marry people who are not Christians), politically (some argue that they must not be involved in elections), economic decisions (for example where to invest their monies, some do not invest in counters driven or backed by hazardous substances like say beer or tobacco). This research is of paramount importance as there is a need for economic and financial advisors to know the extent to which Christianity religion has an effect on individual perceptions on investment decisions and choices, be it stock market investments, entrepreneurial investments or money market investments. The research study is also of relevance to provide information on the debate of what Christians can do and cannot do as far as investments are concerned which is in line with their Christian values. It is against the aforementioned background that this research study seeks to ascertain the effect of Christianity religion on individual risk appetites and individual perceptions on investment decisions and choices by specifically looking at the following objectives:

1. To examine whether religion have an effect on individual risk taking appetite
2. To assess whether religion has an effect on individual perceptions on investment choices and decisions.

Conceptual Framework

There is three concepts which were being examined in this research study namely (1) Religion, (2) Relationship between Christianity Religion and individual risk appetite and (3) Relationship between Religion and Individual investment choices and decisions. First (1) Religiosity of an individual was being assessed using the following variables (a) Importance to individual daily life, (b) Church attendance; Second (2) Relationship between Religion and Individual Risk taking Appetite was assessed using (a) Whether individuals prefer high risk traditional gambling in form of betting , (b) Whether individuals prefer to invest in high risk stocks on the stock market (3) Relationship between Religion and Individual Investment decisions was assessed using the following variables (a) Individual perceptions on investing in stocks driven by hazardous products like beer and tobacco (b) Individual perceptions on investing in beer selling business (c) Individual perception on investing in tobacco farming (d) Individual perceptions on selling pork and pork products

Literature Review

What is Investment?

Reilly and Brown (2006) defined investment as the current commitment of dollars for a period of time in order to derive future payments that will compensate the investor for (1) the time the funds are committed, (2) the expected rate of inflation, and (3) the uncertainty of the future payments. They further noted that the investors can be individuals, corporates, government or pension funds and various types of investments include investments by corporations in plant and equipment and investments by individuals in stocks, bonds, commodities, or real estate. From this study perspective as derived in Reilly and Brown the term investment simply refers to current commitment of resources in order to achieve later benefits. This study covered investment from an angle of investing in stocks (on the Stock exchange, for example, Zimbabwe Stock Exchange in the case of Zimbabwe) and Entrepreneurial Investments like committing funds in Running a beer-selling business, Selling Pork and Pork products, Tobacco Farming.

Christianity Religion vs. Risk Taking Appetite

Relationship between Investment and Gambling

The terms investor, speculator, and gambler are very important in the investment world. The term investor refers to a person whose principal concern in the purchase of a security is the minimizing of risk whilst a speculator is prepared to accept calculated risk in the hope of making better-than-average profits, and a gambler is prepared to take even greater risks. All these three types of 'investors' can be found in the investment world. Gamblers can be found both in traditional gambling form through soccer betting, dog betting among others and in the stock market through investing in high-risk stocks. It is important to assess the risk appetite of individuals using gambling in both traditional form and high-risk stocks investments because there is a relationship between investment and gambling as noted by Barber et al., (2009) cited in Arthur, Delfabbro and Williams (2015) that when Taiwan introduced the national lottery, stock turnover on the Taiwanese Stock Exchange dropped substantially. Barber et al also proposed that this drop in trading activity could be, at least in part, due to some people choosing to play the lottery instead of trading stock. Kumar, Page and Splat (2014) also cited in Arthur, Delfabbro and Williams (2015) posted that Lottery-like stocks co-move strongly with one another and the sale of lottery tickets. On trying to come up with a relationship between religion and risk appetite, Leon and Pfeifer (2013) asserted that compared to people who are not involved in religious networks, frequent churchgoers are, in general, more risk-averse, while they show more risk-tolerant attitudes in financial matters. Hess (2012) echoed the same sentiments on risk appetite and religion when he mentioned that in general religious people behave in accordance with risk limiting religious rules and tend to be more risk-averse in issues relating to investments than non-religious people.

Christianity Religion and Individual Investment Decisions and Choices

Investment decisions and choices of Christians are premised on bible fact that no matter how profitable an investment activity might be, it must be in line with the Christianity core values for a Christian to invest. The Bible in Mathew 16:26 states that '*For what a man is profited, if he shall gain the whole world and lose his own soul? Or what shall a man give in exchange for his soul*' thus the importance of religion in making investment decisions cannot be underestimated? Bulla Fatima wrote an article which was published in the Sunday Mail, Zimbabwe Newspaper; 05 June 2016 entitled 'Of dirty business pastors'. In that article, Fatima cited a number of reasons she got from a small survey of pastors on why it is not

morally upright for Christians to involve themselves in entrepreneurial investments like running a beer selling business or tobacco farming. Fatima mentioned that for example if a pastor runs a beer selling business it will be difficult for him to counsel couples with the problem that emanate from alcohol. Fatima also cited one pastor as suggesting that ‘Imagine of Friday a pastor who owns a bar prays that God blesses his business to record high sales, and come Sunday morning he preaches from 1 Corinthians 6:10 which states that *drunkards shall not inherit the kingdom of God*. Fatima made a conclusion that when one calls for people to stop taking alcohol and at the same time he prays for his beer-selling a business to prosper he is like serving two masters. The consumption of pork in Christianity religion also remains a controversial issue.

EXPERIMENTAL

Research Design

A quantitative approach was used in this research study. Burns and Grove (1997) assert that quantitative research as a formal, objective, systematic process to describe and test relationships and examine cause and effect interactions among variables. A descriptive survey was selected because it provides an accurate portrayal or accounts of the characteristics, for example, behavior, opinions, abilities, beliefs, and knowledge of a particular individual, situation or group. This design was chosen to meet the objectives of the study namely to assess the effect of Christianity religion on individual risk appetite as well as on individual perceptions on investment choices and decisions.

Population

Cooper and Schindler (2003) propound that a population is a universe of objects whose attributes or parameters are to be investigated. The population targeted in this research study was all members of the Reformed Church in Zimbabwe at Synod center, Rhoden, and Rujeko Congregation.

Sampling

Judgmental sampling was used to select twenty (20) respondents from the target population who were respondents of this research study. Judgmental sampling entails a selection criterion where a cross-section of the sample selected by the researcher conforms to some criteria. This research study used judgemental sampling to select respondents from the

targeted population who were already involved in notable investment activities ranging from stock market investments to entrepreneurial investments.

Data Collection Instruments and Procedure

This research study used closed-ended questionnaires to collect data from the respondents and the questionnaires were administered personally by the researchers. The questionnaire had 3 sections namely Section A, which consisted of respondent Background Information, Section B which consisted of an effect of religion on risk taking appetites of the respondents. A , pseudo-real life scenario was also used in this section to probe the respondents on their likelihood to take risks in traditional gambling with probabilities ranging from 0% , 0 to 29%, 30 to 59% , 60 to 89% and above 90% and Section C which consisted of Christianity religion and its effect on investment decisions and choices

Data Analysis and Presentation

The collected data was organized and analyzed. Closed-ended questions on the questionnaire were analyzed using Statistical Package for Social Sciences (SPSS) version 16.0 and Microsoft Excel 2010. The data was presented in form of pie charts, bar graphs, frequency tables.

RESULTS AND DISCUSSION

Respondents Rate

A total of 20 questionnaires were distributed in the data collection stage of the research to the chosen sample of the study as set up 3.0. Twenty (20) questionnaires were returned representing a 100% overall response rate.

Distribution of Respondents by Demographic Data

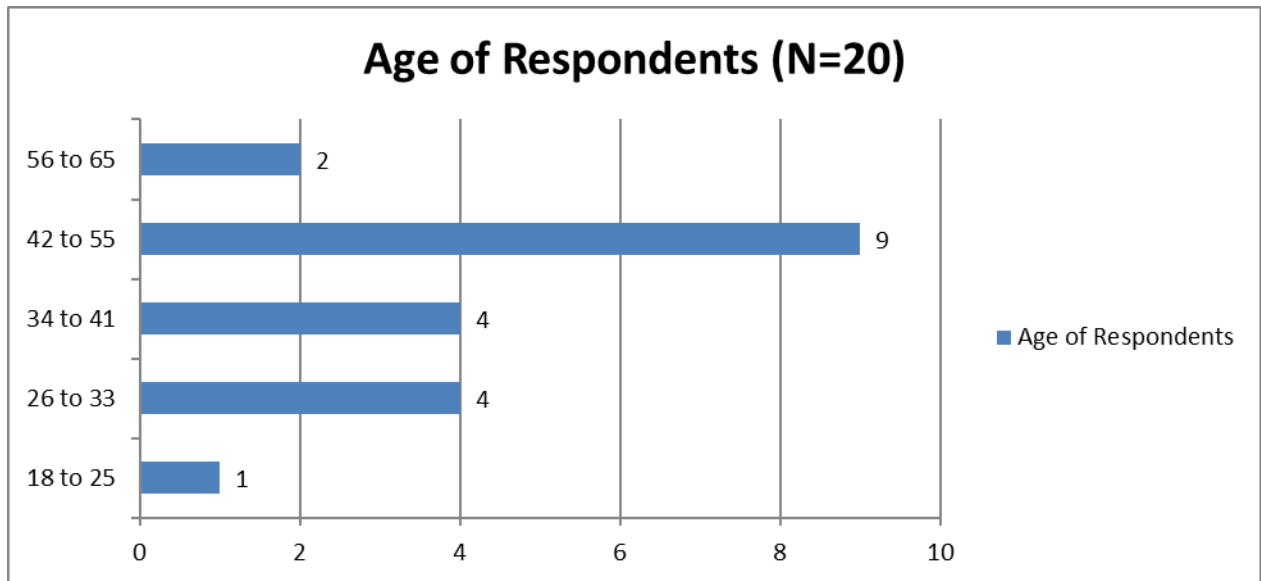


Figure 1: Distribution on Age of Respondents (N=20)

Source: Research Data, June 2016

Of the 20 respondents, 9 respondents representing 45% were between 42 to 55 years of age whilst both the 26 to 33 and 34 to 41 years age groups had 4 in the age group each. Only 1 respondent was in the 18 to 25 years of age group and 2 respondents were in the 55 to 65 years age group. The results reflect that most of the respondents are in the age groups which are actively involved in investment activities, which are between 26 to 55.

Importance of Christianity Religion to Respondents

In order to ascertain whether the respondents were Christians or not two factors were assessed with the first one being, the importance which respondents attach on Christianity and the respondents were asked the following question, ‘ Is Christianity religion important in your daily life ?’. The pie chart in Figure 2 below exhibits the results of the respondents to the question:

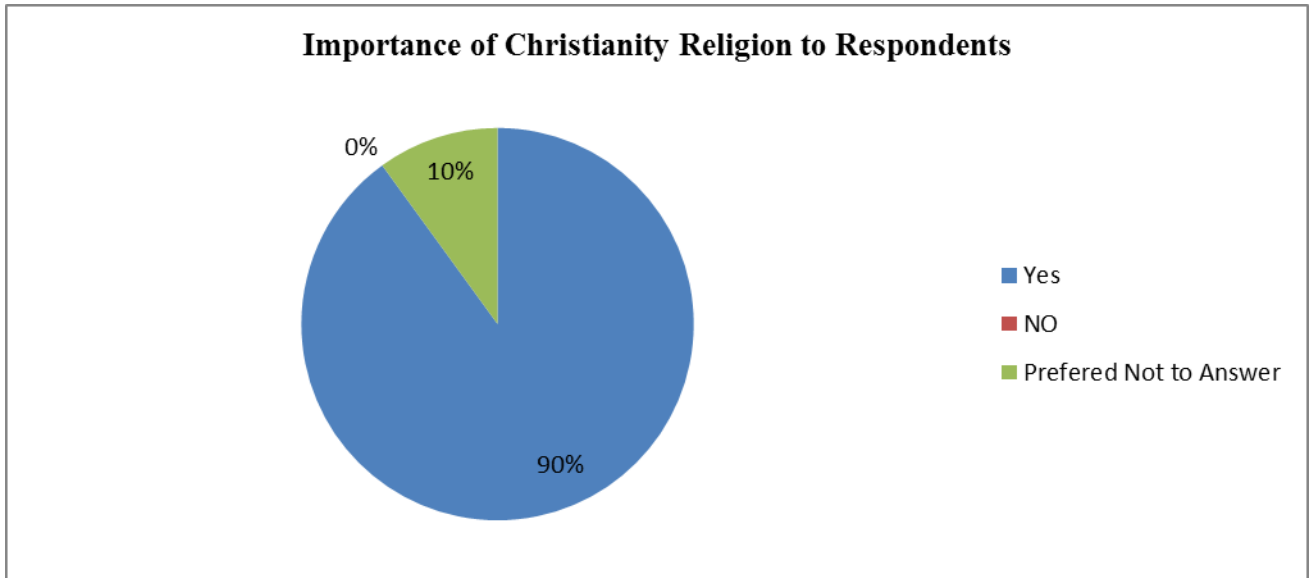


Figure 2: Distribution on Importance of Christianity Religion to Respondents (N=20)

Source: Research Data, June 2016

The indication by 90% of the respondents representing 19 (N=20) respondents was that religion was important whilst a minute 10% preferred not to answer whether Christianity was important or not to their daily life and none of the respondents indicated that religion was not important in their daily life. The results reflect that religion was important to the respondents.

Church Attendance of Respondents

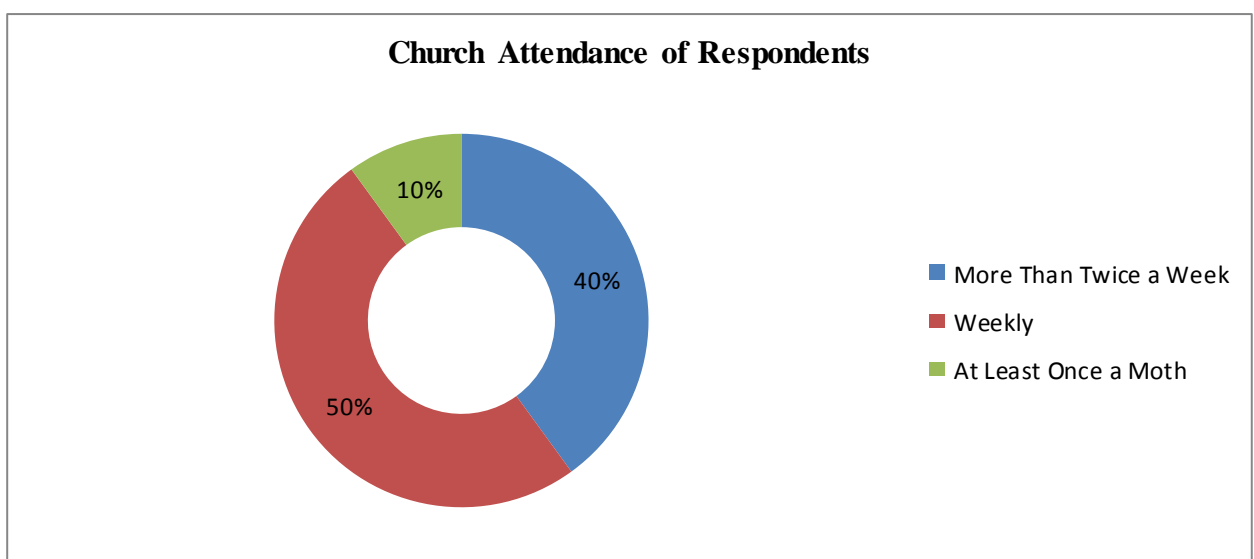


Figure 3: Distribution on Church Attendance of Respondents (N=20)

Source: Research data, June 2016

A total of 18 (90%) respondents claimed that they attended church services weekly with 8 of those 18 respondents claiming that they attended church services twice a week. Only 2 (10%) respondents pointing out that they only attend church services at least once a month. The results imply that majority of the respondents attend church services on a weekly basis. With 90 % of the respondents indicating that they attended church services weekly and also that religion is important in their daily life, the respondents were relevant to be used in carrying out our research study on the effect of Christianity religion on individual risk appetite and individual perceptions on investment decisions and choices.

Religion and Individual Risk taking Appetite

The effect of Christianity religion on engaging in traditional ‘high-risk gambling’ like betting

Respondents were presented with the following scenario to probe them to point out their likely chances of gambling. ‘You recently heard about soccer betting, and coincidentally Zimbabwe National soccer Team is playing Country X next Saturday. Zimbabwe win has a payout of \$15 and Country X win will pay out \$ 1.20. The probability of Zimbabwe winning is 25% but betting a \$100 will earn you \$1500 whilst the probability of country X winning is 75% and betting a \$100 will earn you \$120. What are your chances of betting for a Zimbabwe win which has 25% chance of winning and a higher payoff’ and the results were as shown in the pie chart in figure 3 below:

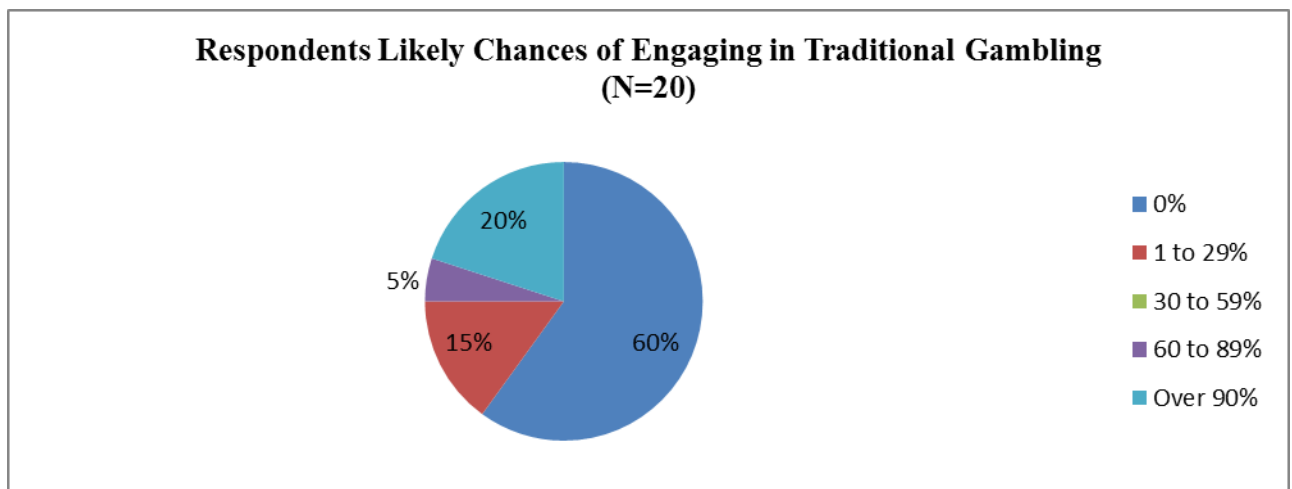


Figure 4: Distribution of Respondents on their likely chances of engaging in Traditional Gambling (N=20)

Source: Research data, June 2016

The scenario intended to assess the risk appetite of respondents because people involved in traditional gambling mainly in form of betting are high-risk takers. A total of 75% of the respondents indicated a likelihood of below 50% of betting a \$100, for a country with 25% chance of winning and a higher payoff, whilst the remainder 25 % claimed that they would take a risk of betting a \$100 for a team with a 25% chance of winning with a higher payoff (fully prepared to take risk). The results reflect the larger extent, that Christians are risk averse as supported by 60 % of the respondents who asserted a 0% chance of risking their monies in the above pseudo scenario. To the lesser extent, by a quite alarming 20 % of the respondents pointing 90%+ chance of willingness to take the risk (especially of high-risk in nature as presented in the scenario), there are implications that there are some Christians though few who are fully prepared to take risks in investments.

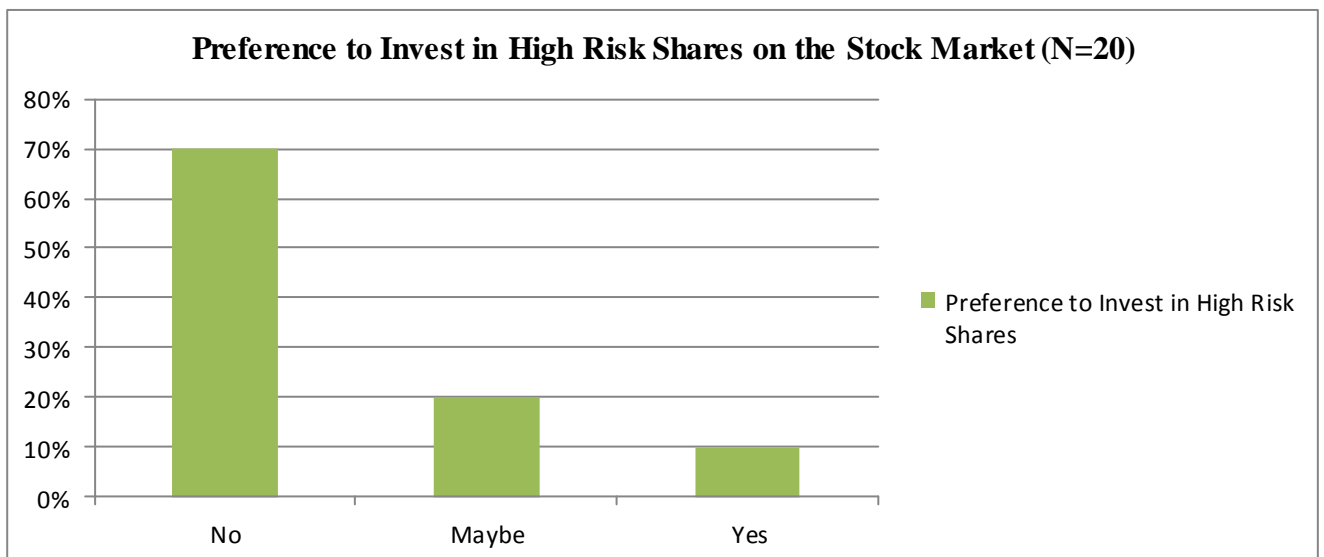


Figure 5: Distribution of Respondents by Preference to Invest in high-risk Shares on the Stock Market (N=20)

Source: Research data, June 2016

Of the 20 respondents, 70% pointed out that they did not prefer to invest in risky stocks whilst 10 % noted that they preferred to invest in risky stocks and the remaining 20% of the respondents claimed that maybe they may prefer to invest in risky stocks.

The results imply that Christianity religion has an effect on individual risk taking appetite as shown by the respondents' lack of willingness to take a risk to invest in both traditional high-

risk gambling like betting and high-risk stocks on the stock market. The results concur with Leon and Pfeiffer who opines that compared to people who are not involved in religious networks, frequent churchgoers are, in general, more risk-averse, while they show more risk-tolerant attitudes in financial matters and Hess (2012) who noted that religious people behave in accordance with risk limiting religious rules and tend to be more risk-averse in issues relating to investments than non-religious people.

Effect of Christianity Religion on Individual Perceptions on Investment Choices and decisions

Questions on four investment activities were used to assess the effect of Christianity religion on individual perceptions on investment choices and decisions. The questions posed to the respondents and research study findings are as presented from 5.4.1 to 5.4.4 below:

Respondents Perceptions on Investing in Stocks / Shares backed by hazardous products

Question 1: Suppose you are an investor at the Zimbabwe Stock Exchange (ZSE), Delta and British American Tobacco (BAT) shares are doing well on the market. Can you at one time consider investing in Delta or BAT shares despite them being backed by hazardous products which are quite unacceptable in Christianity?

Table 1: Distribution on Investing in DELTA or BAT shares (N=20)

		Frequency	Percentage	Valid Percentage	Cumulative Percentage
Valid	No	13	65.0	65.0	65.0
	Maybe	4	20.0	20.0	85.0
	Yes	3	15.0	15.0	100.0
	Total	20	100.0	100.0	

Source: Research Data; June 2016

The results presented in Table 1 above, represented an articulated assertion of 20 respondents on the notion that ‘taking into account that they are Christians can they invest in counters backed like hazardous products like DELTA or BAT on ZSE. 65% of the respondents pointed out that they would not invest in the shares, 20% claimed that Maybe they would

invest whilst a minute 15% claimed that despite their Christian background they would invest in shares backed by hazardous products.

Respondents Perceptions on Entrepreneurial Investments of beer selling Business

Question 2: Can you at one time consider an Entrepreneurial Investment of Beer Selling Business which is quite unacceptable in Christianity religion?

Table 2: Distribution of Entrepreneurial Investment in Beer Selling Business

		Frequency	Percentage	Valid Percentage	Cumulative Percentage
Valid	No	12	60.0	60.0	60.0
	Maybe	2	10.0	10.0	70.0
	Yes	6	30.0	30.0	100.0
	Total	20	100.0	100.0	

Source: Research Data; June 2016

Out of 20 respondents, 60% claimed that they would not consider running an entrepreneurial investment of beer selling the business because of their Christian background whilst 30% pointed out that despite their Christian background they can consider running an entrepreneurial investment of beer selling a business. A minute 10% were neutral.

Respondents Perceptions on Investing in Tobacco farming

Question 3: Can you at one time consider investing in tobacco farming which is quite unacceptable in Christianity religion?

Table 3: Distribution on Investing in Tobacco farming

		Frequency	Percentage	Valid Percentage	Cumulative Percentage
Valid	No	9	45.0	45.0	45.0
	Maybe	3	15.0	15.0	60.0
	Yes	8	40.0	40.0	100.0
	Total	20	100.0	100.0	

Source: Research Data; June 2016

The results in table 1 show respondents perceptions on considering investing in tobacco farming. 45% of the respondents noted that they would not consider investing in tobacco farming because of their Christian background, 15% were neutral whilst 40% pointed out they had no problem in investments in tobacco farming despite their Christian background.

Respondents Perceptions on Investment in selling Pork and Pork Products

Question 4: Can you at one time consider investing in Selling P which is quite unacceptable in Christianity religion pork and Pork Products?

Table 4: Investing in Selling Pork and Pork Products

		Frequency	Percentage	Valid Percentage	Cumulative Percentage
Valid	No	2	10.0	10.0	10.0
	Maybe	1	5.0	5.0	15.0
	Yes	17	85.0	85.0	100.0
	Total	20	100.0	100.0	

Source: Research data; June 2016



An alarming 85% of the respondents claimed that they would consider investing in selling pork and pork products, 10% pointed out that they would not consider selling pork and pork products as an investment opportunity whilst 5% were neutral.

The results on the four (4) aspects used to assess Christianity religion effect on individual perceptions on investment choices and decisions reflects that Christianity religion have an effect on individual perceptions on where to invest and where not to invest as shown by more than half of the respondents not showing interest (that is by saying NO or MAYBE) in (1) investing in stocks or shares backed by hazardous products (DELTA and BAT) in this case, (2) entrepreneurial investment of beer selling business and (3) Investing in tobacco farming. The alarming number of having no problem in investing in selling pork and pork products might require a comparative study of different Christianity denominations perceptions.

CONCLUSIONS

The research study was done using relevant respondents as the majority of them claimed that religion was important in their daily lives and also attended church services weekly making the targeted respondents relevant to be used in the study of ascertaining the effect of Christianity religion on individual risk appetites and individual perceptions on investment choices and decisions. The study findings revealed that Christianity religion has an effect on individual risk taking appetite as shown by the respondents' lack of willingness to participate in both high-risks traditional gambling as presented in the pseudo scenario and investing in high-risk stocks on the stock market. The research study also revealed that Christianity religion also shapes individual perceptions on investment choices and decisions as proved by majority respondents' lack of willingness to neither invest in stocks driven by hazardous products on the stock exchange nor undertake entrepreneurial investment activities like beer selling business and tobacco farming. The research study however to a lesser extent concluded that Christianity religion had no effect on perceptions on individual investment choices and decisions relating to entrepreneurial investments of selling pork and pork products as shown by most respondents willing to invest in this activity despite researchers receiving mixed feelings of respondents on the pilot study done on Christians from different denominations. The researchers, therefore, recommend a research study with a much larger sample and with a sample from different Christian denominations. The research study also recommends further research on the extent to which traditional gamblers engage in high-risk stocks investments.

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