

# Study points to connection between religion and risk

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Credit: Peter Griffin/public domain

Research co-authored by Portland State University finance professor Jing Zhao found that the religious beliefs of the population in counties where hedge funds are headquartered influence the riskiness of hedge fund managers' portfolios.

The findings, published in a recent issue of the *Journal of Corporate*

*Finance*, found that fund managers in counties where the population was more religious took fewer risks with their investments than those where religious was less of a factor.

The study examined more than 7,000 [hedge funds](#) throughout the United States and checked them against the religious data of the counties where they are headquartered. It even looked into the level of religious beliefs of the college locations where [fund managers](#) attended.

The more risk-averse funds where religion played a role tended to be smaller and younger funds, which are more dependent on local investors and local management teams. This negative effect of religiosity on risk-taking was even more pronounced during periods of financial crisis. The study found that funds located in more religious counties tend to hold more diversified portfolios than the norm. Yet despite their lower-than-average risk, the funds produced returns on par with the industry average.

"The overall evidence indicates that indeed local [religious beliefs](#) instill a risk-aversion culture to the hedge fund industry," Zhao said. "This gives strong support for the idea that local culture, in particular local religiosity, has an impact on organizational risk taking."

**More information:** Lei Gao et al, Does local religiosity affect organizational risk-taking? Evidence from the hedge fund industry, *Journal of Corporate Finance* (2017). [DOI: 10.1016/j.jcorpfin.2017.08.006](#)

Provided by Portland State University

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