

Religious Climate and Corporate ESG Performance

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Abstract: Religion, as an important part of China's history and culture, plays an important role in economic and social life. In the context of China's reality, which emphasizes high-quality development, this study aims to explore the impact of the informal institution of religious atmosphere on the environmental, social and governance (ESG) performance of firms. Through empirical research, this paper finds that: the stronger the religious atmosphere of a firm's location, the better its ESG performance; further, this paper examines the path of the influence of religious atmosphere on firms' ESG performance. The results show that religious atmosphere promotes the ESG performance of firms through two paths: suppressing managers' self-interested and short-sighted behaviors and creating an ethical environment. Meanwhile, the weaker the degree of marketization (formal system) in the region, the more obvious the role of religion (informal system) in promoting firms' ESG performance, which suggests that there is a certain substitution relationship between religious traditions and formal system. In addition, family business can further enhance the role of religion in promoting firms' ESG performance. Finally, this paper segments different religions and finds that Taoism's emphasis on man and nature makes it better than Buddhism in promoting ESG performance, especially in environmental performance. This study not only provides empirical evidence for the use of ESG at the micro level, but also provides empirical evidence for the high-quality development of firms in the context of Eastern religions in China.

Keywords: Religious Climate; ESG; Transmission Path; Informal System.

1. Introduction

The report of the twentieth Party Congress states that ensuring the high-quality development of enterprises has become a top priority in the comprehensive construction of a modern socialist country. However, at present, some enterprises in China still regard "profit maximization" as their core objective, and have obvious short-term behaviors, including polluting the environment and infringing on the interests of stakeholders and society, which is not only detrimental to the development of enterprises, but also harms social interests and the ecological environment. Therefore, the promotion of high-quality development of enterprises has become urgent. Recently, the State Council issued the Work Program for Improving the Quality of Listed Companies Held by Central Enterprises, which explicitly requires that by 2023, all listed companies of central enterprises must fully disclose ESG reports. The fundamental goal of this initiative is to help companies realize high-quality and sustainable development. ESG indicators break the limitation of focusing only on the company's financial performance in the past, and focus on the level of corporate governance, social responsibility and environmental performance. By comprehensively considering economic and social benefits, ESG indicators are adapted to the goal of green and low-carbon development and are highly compatible with the requirements of high-quality development of enterprises.

Currently, existing studies mainly focus on the formal institutional level, exploring the impact of government subsidies and institutional pressure on corporate ESG performance. However, according to the branding theory, the growth environment and cultural environment of a company will have an impact on the value orientation and behavioral preferences of executives, forming a corresponding "brand", which will continue to play an influential role in the career of executives. Therefore, in recent years, the field of financial economics has begun to pay attention to the influence of cultural factors on business decisions. As a long-standing

social culture, religious culture is an integral part of Chinese philosophical thought and values. Religious culture is widely recognized as the moral norms and action guidelines that individuals and organizations believe in, and it influences the business decision-making activities of enterprises by affecting the values of entrepreneurs. Therefore, it is important to consider the influence of religious culture when exploring the determinants of firms' ESG performance, which can explain and predict firms' behavior and performance from a cultural perspective. Further research can explore the mechanism of the influence of religious culture on corporate ESG performance in greater depth and provide more specific and comprehensive guidance for high-quality corporate development.

The purpose of this paper is to systematically examine the effects and mechanisms of religious culture on corporate ESG performance. The findings indicate that religious culture has a significant contribution to corporate ESG performance. Further path tests reveal that religious culture affects corporate ESG performance through the dual paths of inhibiting managers' self-interested and short-sighted behavior and creating an ethical environment. In addition, the facilitating effect of religious culture is more significant in family-run firms and firms in areas with weak formal institutions. This suggests that religious culture, as an informal institution, can compensate for the weakness of formal institutions in emerging markets and play an alternative governance role. In addition, the characteristics of religious inheritance make religious culture more stable and can continue to have an impact in the families of believers. It should be noted in particular that after subdividing Buddhism and Taoism, the study finds that Taoism contributes more to corporate ESG performance than Buddhism, especially in promoting corporate environmental performance. This suggests that, as a native Chinese religion, Taoism is more adapted to the development of Chinese society and that Taoism's emphasis on man and nature is more conducive to corporate ESG performance. These findings reveal the

positive impact of religious culture on corporate ESG performance and provide a cultural factor explanation for understanding corporate behavior and performance.

The contribution of this paper is mainly reflected in (1) past research mainly focuses on the firm level and institutional perspective to explore the key factors affecting corporate ESG performance. In contrast, this paper breaks through the traditional institutional framework from the perspective of informal system, i.e. culture, and investigates the effect and mechanism of religious atmosphere on corporate ESG performance, which enriches the research in this field; (2) based on the theory of sustainable development and altruistic viewpoints of religion, and combined with the mediating effect model, this paper discusses the intrinsic mechanism of religious culture in terms of managerial self-interest and managerial shortsightedness, and empirically reveals that religious culture, a key factor in corporate ESG performance, is the key factor that affects corporate ESG performance. promote the intrinsic mechanism of corporate ESG performance, empirically revealing the unique role of religious culture, an invisible alternative mechanism, in promoting corporate ESG performance and facilitating the high-quality development of the capital market, and deepening the theoretical knowledge of the economic consequences of religious culture at the micro level; (3) Du et al. examined the role of religion on social responsibility (2016) and environmental pollution (2014). However, after simultaneously considering the three categories of social responsibility, environmental performance, and corporate governance (ESG), this paper finds that religion has a facilitating effect on corporate ESG performance, and after subdividing the effects of Buddhism and Taoism, it is found that the facilitating effect of Taoism on corporate ESG performance is stronger, and mainly focuses on environmental performance. This is not only a useful addition to related studies, but also contributes contextual evidence from Eastern cultures to the field of "culture and finance".

The rest of the paper is structured as follows: the second part reviews the relevant literature, conducts theoretical analysis and formulates research hypotheses. The third part introduces variable definitions and research ideas. The fourth part analyzes the empirical results. The fifth part is an extended research. Finally, a summary of the study and a discussion of limitations are made.

2. Theoretical Analysis and Literature Review

2.1. Literature Review

1. ESG performance

Enterprises, as micro-entities in the market economy, play a key role in promoting high-quality development of the economy. The ESG performance of enterprises is regarded as a core indicator for measuring the high-quality development of enterprises. In existing studies, scholars mainly focus on the economic consequences of corporate ESG performance. It has been found that firms' outstanding ESG performance can attract more private equity investors (Crifo et al., 2015), increase firm value (Li et al., 2018), reduce audit costs (Xiaofang et al., 2021), but it may also lead to higher return volatility, greater absolute price volatility, and lower likelihood of external financing (Christensen et al., 2022). However, relatively few studies have been conducted on the factors affecting corporate ESG performance, mainly

focusing on formal institutions such as law and regulation formulation and enforcement, and government behavior. The studies cover tax policy (Wang Yu et al., 2022), government subsidies (Xia Yun et al., 2023), institutional pressure (Hao Yuting and Zhang Yonghong, 2022), and government procurement (Jiang Aihua et al., 2023). However, along with the trend of accelerated macroeconomic deleveraging and the impact of economic downward pressure in recent years, especially by the post epidemic era, the current government financial pressure is very obvious, and only relying on traditional government subsidies and other measures can no longer meet the needs of enterprises (Jiang Aihua et al., 2023). In contrast, informal systems are playing a great role. Previous studies on the aspect of informal institutions and corporate ESG performance have mainly focused on perspectives such as cultural institutions (Baldini et al., 2018), family involvement (Li Xiaojing et al., 2022). However, there is a lack of research on the factors influencing corporate ESG performance from the perspective of Chinese indigenous religions. Therefore, an in-depth analysis of the influencing factors of corporate ESG performance from the perspective of Chinese indigenous religions is an important direction in current research.

2. Religious climate

Informal institutions refer to social rules that are generated, disseminated and enforced outside of official channels and are recognized and adhered to by people (Du Xingqiang et al., 2016), and these social rules often take unwritten forms (Hemke and Levitsky, 2004). Religion is often considered as a proxy variable for social norms or culture (McGuire et al., 2012) and binds the behavior of believers through the ethical and moral norms embedded in doctrines and canons and thus influences corporate decisions. Most of the previous studies on the mechanisms of religion and corporate governance have concluded that religion improves by reducing the agency costs between shareholders and management (Du et al., 2013), inhibiting the behavior of major shareholders who hollow out listed companies (Du et al., 2014), curbing overinvestment (Du Xingqiang et al., 2016), and reducing the risk of stock price crashes (Zeng Aimin and Wei Zhihua, 2017). Some scholars also focus on specific forms of corporate governance, arguing that the stronger the religious atmosphere, the more stable the board structure (Chintrakarn et al., 2016), and that CEO option incentives are associated with reduced sensitivity to firm value (Zolotoy et al., 2018). a study by Shen and Su (2017) found that having religious beliefs especially family business founders with oriental religious beliefs tend to pass down the actual control of the business to the next generation. In addition, some scholars fully recognize the natural connection that exists between the ethical characteristics of religion and business ethics, and believe that religion can promote the fulfillment of corporate social responsibility (Du et al., 2016). Chatjuthamard-Kitsabunnarat et al. (2014) 's study shows that the ethical characteristics of religion drive managers to treat stakeholders well, which can significantly enhance corporate charitable giving (Du et al., 2014), environmental performance (Bixi et al., 2015), and contribute to the fulfillment of corporate social responsibility (CSR).

Studies have been conducted to analyze the influence of religion on corporate decision-making behavior mainly from two paths: individual beliefs and social norms of religion. The individual belief attribute argues that the values and ethical views of religion can be internalized to influence corporate decision-making by influencing the behavior of corporate

decision-makers (Du Xingqiang et al., 2020). Specifically, human beings are at the core of economic activities, and the implementation of institutions cannot be separated from human behaviors. Studies by Brammer et al. (2007) support the influence of religion on decision makers' behaviors. Religion plays a dominant role in believers' decision-making in specific contexts (Dehejia et al. 2007), can influence personal values, and helps believers to construct decision-making models. Inhibit inappropriate behaviors, shape ethical values, and help form company culture. Social norms attributes focus on establishing a link between religion and group behavior. Social norms theory suggests that members of a community will adhere to behavioral norms that are generally agreed upon by the society, and Du et al. (2016) point out that even if a company's directors and executives are not religious believers, they may be required to adhere to local religious social norms, and thus they tend to interact with employees, customers, suppliers, etc. who are religious, which in turn creates a virtual community (Du, Hingqiang et al., 2016); Further, regardless of whether a particular individual is religious or not, he is inevitably influenced by the community's shared religious climate (Du Xingqiang et al., 2016). In addition, religion deepens believers' understanding of regional religious concepts by providing role expectations and establishing theoretical frameworks, which helps to strengthen individual identity (Weaver and Agle, 2002). Therefore, in regions with a strong religious atmosphere, decision-making is inevitably influenced by religious factors, regardless of whether groups or individuals are religious or not.

An overview of the relevant literature reveals that there is a lack of research on the factors influencing ESG performance, and few scholars have explored the impact of informal institutions on corporate ESG performance. Previous literature has emphasized the impact of formal institutions on economic activities while ignoring the role of informal institutions (Du Xingqiang et al., 2020), and few scholars have explored the impact of local Chinese religions on firms' ESG performance, and research on the path of religion's influence on firms has not been given the attention it deserves. Religion can influence corporate decision-making by influencing the behavior of individual executives, and it can also serve as an important social system that constrains management behavior through social norms, organizational legitimacy, and identity (Dyrenge, 2012). Therefore, the goal of this paper is to investigate the impact of religion as an informal institution on corporate ESG performance, as a way to enrich the related research on the factors influencing corporate ESG performance.

2.2. Research Hypotheses

1. Religious climate and corporate ESG performance

Most of the existing studies have concluded that there is a high degree of congruence between the ethical characteristics of religion and the connotations of CSR, and thus it is widely recognized that religion can significantly contribute to the fulfillment of corporate social responsibility. Religion, as a cultural factor and social norm, can influence the behavior of corporate decision makers through the values and ethics it conveys (Dyrenge et al., 2012). This paper analyzes the impact of religion on corporate ESG performance mainly from two paths: individual beliefs of religion and social norms.

Prior research has argued that religion can affect firm behavior by influencing individuals' belief attributes (Dehejia

et al., 2007; Hilary and Hui, 2009). This paper argues that religious culture may affect corporate ESG performance by influencing the behavior of decision makers: first, religion influences the motivation of individual behavior, and the ethical norms of religion help to inhibit managers' self-interested motivation, making them more inclined to exhibit altruistic behavior. From the perspective of cost-benefit theory, companies need to increase the current cost investment of fulfilling CSR in order to obtain long-term benefits (Wang Shuangjin et al., 2022). However, the fulfillment of ESG responsibilities increases the costs and inputs of enterprises, which may lead to a decrease in their financial performance in the short term. In this case, out of self-interested motives, managers may be reluctant to increase the investment in social responsibility, resulting in poor corporate ESG performance. Religion, however, opposes the complete self-interestedness of individuals and can mitigate their selfish preferences. Religion's emphasis on mutual aid and altruism toward others allows managers to give more consideration to the well-being of stakeholders, which in turn enhances corporate ESG performance. Specifically, Buddhism encourages followers to let go of selfishness centered on greed and to pursue inner liberation. Buddhist teachings emphasize the abandonment of the obsessive pursuit of fame and status, which can help restrain managers from pursuing personal self-interest, encourage managers to give more consideration to the interests of stakeholders, and avoid abusing resources at the expense of shareholders (Du Xingqiang et al., 2016), thus effectively mitigating the principal-agent problem of the enterprise and enhancing the ESG performance of the enterprise. In addition, Buddhism emphasizes the concepts of "compassion" and "no-self view", and stresses the equality of individuals and all beings and the care of all beings. These concepts can inhibit managers' self-interested behavior and reduce the appropriation of other people's property. Secondly, Taoism emphasizes the importance of letting go of the mindset of competitiveness, following nature, and pursuing inner peace and balance. Taoism's view of "the unity of heaven and man" emphasizes the harmony between the individual and the whole, and encourages the individual to go beyond the realm of personal self-interest. These concepts can also reduce managers' selfish motives, making them more inclined to consider the interests of the whole, and improving the ESG performance of the company. Second, religion has an impact on corporate ESG performance by influencing individuals' decision-making orientation and time perspective. Managers are often bound by performance pressure, which leads to their tendency to exhibit short-sighted behavior when making long-term corporate planning and ESG investments (Wang Shuangjin et al., 2022). However, religion, as a hidden influence mechanism, can positively contribute to corporate ESG performance. First, religions emphasize the inherent transcendence of the present world and the afterlife, "this shore and the other shore", and teach believers to take a long-term view of their own development and that of society, and to focus on ethical responsibility and sustainable development practices. This perspective can reconcile the inherent conflict between a company's long-term goals and individual short-term behaviors (Chen, Donghua et al., 2013), inhibit managers' short-sightedness, and motivate companies to invest in a long-term orientation, thereby enhancing their ESG performance. Religions advocate the importance of the afterlife to the present world, encourage believers to build a

better world for future generations, and emphasize sustainability to ensure the well-being of future generations. Therefore, in terms of corporate decision-making, managers tend to make long-term oriented investments and pay more attention to ESG in order to ensure the long-term development of the firm, which in turn enhances ESG performance. Second, religion influences managers' long-term investment decisions by affecting their attitudes toward risk. It has been shown that managers with religious beliefs are more risk-averse (Miller and Hoffmann, 1955). Religious believers are usually averse to uncertainty. As a result, religiously influenced management tends to be less likely to adopt short-term aggressive accounting policies and more inclined to engage in long-term sound investment activities (Chen Donghua et al., 2013). Such investment decisions enable firms to increase their investment in ESG, thereby enhancing ESG performance. In summary, religion teaches individuals to take a long-term view and focus on ethical responsibility and sustainable development practices, which inhibits managers' short-sightedness and prompts firms to make long-term oriented investments to enhance ESG performance.

The social norms attribute is mainly based on social norms theory, identity theory and organizational legitimacy theory. Specifically, regardless of whether a manager is religious or not, he or she will inevitably be influenced by the religious atmosphere in the surrounding environment, which in turn influences the decision-making behavior of the decision-maker. This paper argues that religious culture may influence corporate ESG performance by creating an ethical environment: first, the religious atmosphere can enhance the moral level of the regional society. Specifically, Buddhism emphasizes "compassion", advocates "giving and giving", and encourages "disaster relief and good deeds". Taoism advocates "doing nothing" and teaches people to let go of the desire to interfere and control others and to respect their freedom and choices. It believes that people should "live in harmony" and maintain good interpersonal relationships, and encourages people to "care for the disadvantaged". Buddhism and Taoism, despite their differences, emphasize concern for the dignity and rights of others and the idea of love and charity, encouraging respect for others to promote social harmony, equality and friendliness. Religion's emphasis on benevolence and charity and respect for others enables decision makers to actively fulfill the religious culture's moral obligations of charitable donations, mutual benefit, and mutual help (Pan Yue et al., 2019) which, in turn, makes decision makers biased toward fulfilling their ESG responsibilities when making corporate decisions, and can enhance corporate ESG performance. Second, the religious atmosphere can enhance the sense of shame in the region. Specifically, religions emphasize "self-discipline and self-examination" and encourage members to face their faults through confession and atonement ceremonies. At the same time, religions clarify moral codes and norms through community monitoring (Du Xingqiang et al., 2020), and failure to meet these requirements can lead to feelings of shame. Buddhism's emphasis on "keeping the precepts" may lead to shame and self-blame when believers violate the precepts. Therefore, the religious atmosphere can enhance corporate ESG performance by increasing the sense of shame in the region and avoiding decision makers' possible behaviors that are harmful to the interests of stakeholders, the environment, and social ethics. To sum up, religion influences the behavior of

decision makers by creating a good moral environment, so that decision makers can take the initiative to fulfill their ESG responsibilities when making corporate decisions and improve corporate ESG performance. Based on the above analysis, this paper proposes hypothesis 1:

H1: Religious climate contributes to corporate ESG performance.

2. Regulatory role of the formal system

The theory of new institutional economics suggests that because of the continuity of non-political institutions, informal institutions tend to have greater influence compared to formal institutions (Bixi et al., 2015). Therefore, the matching of formal and informal institutions is crucial to realize the effective operation of formal institutions. Religion, as an informal system, plays an effective role in supplementing the constraints in terms of legal and political strength and influences people's behavior. In areas with a strong religious atmosphere, people are not only constrained by the formal system, but also by the "psychological constraints" of traditional culture. The formal system can only be effectively implemented if it is complemented by the informal system, otherwise it will not be beneficial to socio-economic functioning. Moreover, regardless of political and economic development, the formal system inevitably has some defects, thus providing the possibility for the implementation of the informal system. On the other hand, in the transition economy, enterprises face the macro background of imperfections in the formal system, which will affect their strategic decisions. First of all, in regions with more mature institutional environments, firms face higher risks and costs of non-compliance, and will therefore consciously comply with legal requirements to restrain their behavior. In addition, a high level of institutional environment implies a more robust system and stricter legal enforcement, which is conducive to a level external playing field, restricting firms' behavior and enhancing the protection of stakeholders. As a result, in this case, firms will comply more strictly with the requirements of laws and regulations, reducing the role of religious climate in enhancing firms' ESG performance. In contrast, in regions with relatively weak institutional environments, informal institutions such as religious traditions can be effective in curbing firms' non-compliant behavior (McGuire et al., 2012). Out of the principles of rule compliance and integrity required by religious traditions, firms will give more consideration to the interests of stakeholders and enhance their own development to achieve high-quality development. Therefore, in this case, there is a substitutive relationship between religion and formal institutions in promoting firms' ESG performance. In summary, as the level of formal institutions increases, the role of religious atmosphere in promoting the ESG performance of enterprises will gradually diminish. Based on this, this paper proposes hypothesis 2:

H2: All else equal, formal institutions weaken the contribution of religious climate to firms' ESG performance.

3. The moderating role of family business

An important feature of religion is the strong stability of the family of believers from generation to generation and the tendency of religious family business founders, especially those of Eastern religions, to pass on control to the next generation (Shen and Su, 2019). Significant differences between cultural values can lead to differences in socio-emotional wealth. Specifically, family members are likely to share common genes, and they are pulled by their genes, more

inclined to defend and support each other, showing more obvious altruistic characteristics, and more possessing the sense of community of interest of "your business is my business". This strong bond of kinship based on common emotions is usually accompanied by the emotional strength of loyalty and a higher degree of trust, so the compliance with religious ethics within the family business tends to be consistent, which makes them have a higher sense of identification with the realization of inheritance and long-term development under the influence of religion, and they are more willing to pursue long-term goals and to maintain a long-lasting business, which results in the relatively good performance of the ESG of the family-owned enterprises. This makes the ESG performance of family-run enterprises relatively better. Secondly, family firms are motivated by the need to maintain socio-emotional wealth and pay more attention to the maintenance of the firm's reputational image, even if such behavior does not bring economic benefits to the firm (Berrone et al., 2010). Family firms tend to link the reputation of the firm with the reputation of the family and use the public's perception of the firm as an evaluation of the family, thus placing more emphasis on maintaining the family's reputation (Xu Jinhua et al., 2018). Family firms tend to build a better image for the firm and the family by fulfilling social responsibility to enhance the corporate reputation and word-of-mouth, while poor social responsibility performance will make the firm's reputation damaged, and thus family firms will invest more resources to enhance the firm's ESG performance. Based on this, this paper proposes hypothesis 3:

H3: All else being equal, family-run business enhances the contribution of religious climate to firms' ESG performance.

3. Data Selection and Research Design

3.1. Sample Selection and Data Sources

Since the Securities and Futures Commission (SFC) has only explicitly required listed companies to disclose ESG-related information for the first time since 2018 in the Guidelines on the Governance of Listed Companies, this

paper selects all A-share listed private companies in China's Shanghai and Shenzhen cities from 2018-2022 as the research sample, and does the following with the raw data: (1) excludes all ST or *ST or PT stocks; (2) exclude all samples of financial and real estate listed companies; (3) exclude listed companies with a large number of missing main research variables involved in this paper; (4) exclude companies that have been listed for less than one year, have been delisted, or have been suspended from the market; (5) in order to eliminate the bias of the results that may be caused by the extreme values, all the variables are subjected to a Winsorize process of 1% up and down; and (6) exclude all the state-owned enterprises. Compared with private enterprises, state-owned enterprises tend to be less affected by religious and cultural factors. Finally, this paper gets 16,696 sample data from 4,316 listed companies. The data of ESG ratings of listed companies come from the CSI ESG ratings in the Wind database. In addition, other corporate governance and financial data involved in this paper mainly come from CSMAR database, and the industry classification adopts the 2012 SEC industry classification standard.

3.2. Definition of Variables

1. Explained variables

ESG rating refers to the comprehensive evaluation of ESG performance, and the ESG ratings used in this paper are derived from the CSI ESG rating system. The CSI ESG indicator system is an evaluation system constructed with reference to the international mainstream ESG rating methodology as well as experience, combined with China's national conditions and characteristics. It mainly starts from the three dimensions of environment, society, and corporate governance, and gives scores to the indicators by examining 3 first-level indicators, 14 subjects, and 26 key indicators, and assigns nine grades from C to AAA to all A-share listed companies based on the scores. In order to facilitate the specific empirical analysis of the article, this paper assigns each rating a value of 1~9, thus obtaining the explanatory variable *ESG*.

Table 1. Main variables and definitions

Variable type	variable symbol	Variable Definition
explanatory variable	<i>ESG</i>	According to the CSI ESG rating system, ratings C~AAA are assigned a score of "1"- "9" from low to high.
explanatory variable	<i>Religion</i>	Religious climate = $\ln(\text{number of religious sites within a 200 km radius of a listed company} + 1)$
control variable	<i>Lev</i>	Gearing ratio = total liabilities/total assets
	<i>Roa</i>	Return on Total Assets = Net Profit/Total Assets
	<i>Top1</i>	Shareholding ratio of the largest shareholder
	<i>Age</i>	Average age of management = $\ln(\text{average of senior managers} + 1)$
	<i>Man_shp</i>	Management shareholding ratio = number of shares held by directors and supervisors/total number of shares
	<i>Dual</i>	Dummy variable that takes the value of 1 if he is also the chairman of the board of directors and the managing director, and 0 otherwise.
	<i>Indr</i>	Ratio of sole directors = total number of sole directors/total number of board of directors
	<i>Year/Ind</i>	Year/industry dummy variable

Source: Organized by the author

2. Explanatory variables

Referring to the definition of religious influence by Hilary

and Hui (2009), this paper measures the religious influence on listed companies by measuring the religious environment

of their location. Drawing on Chen, Donghua et al. (2013) and Du (2013 and 2014), and considering the broad mass base of Buddhism and Taoism in China and the geographic proximity of the religious atmosphere, this paper defines the religious atmosphere of a company's location as the number of Buddhist temples and Taoist monasteries within a defined kilometer radius around the registered address of the listed company. If a higher number of temples exist in the vicinity of the listed company, the listed company is more influenced by religious traditions. Specific procedures: using the Baidu map geocoding service, check each company's registered address and use python to crawl the latitude and longitude of each business and temple and Taoist temple. Then, the distance between each company and Buddhist temples (Taoist Taoist monasteries) was determined based on the latitude and longitude. Finally, the *Religion* variable is defined by using 200 kilometers as the distance criterion to calculate the number of Buddhist temples and Taoist monasteries.

3. Control variables

Referring to the study of Xu Xixiong and Li Wanli (2019), this paper controls for the financial characteristics of the company and corporate governance variables, specifically, the gearing ratio (*Lev*), return on total assets (*Roa*), the proportion of shares held by the first largest shareholder (*Top1*), the average age of the management (*Age*), the proportion of shares held by the management (*Man_shp*), the ratio of two positions (*Dual*), and the proportion of the sole director (*Indr*). In addition, the paper controls for year (*Year*) fixed effects and industry fixed effects (*Ind*). See Table 1 for definitions and descriptions of the main variables.

3.3. Modeling

To test Hypothesis 1, drawing on Du et al. (2016), this paper constructs a multiple linear regression model as shown in equation (1) to test the relationship between corporate religious climate and ESG performance:

$$ESG = \alpha_0 + \alpha_1 Religion_{i,t} + \sum \alpha_i Controls_{i,t} + \varepsilon_{i,t} \quad (1)$$

Where *ESG* is a proxy variable for ESG performance of private enterprises and the independent variable *Religion* is a proxy variable for religious atmosphere. *Controls* represents control variables. Referring to the above analysis, the stronger the religious atmosphere is, the better the ESG performance of the enterprise is therefore expected that the regression coefficient of *Religion* in model (1) is significantly positive.

4. Analysis of Empirical Results

4.1. Descriptive Statistics

Table 2 shows the results of the descriptive statistics of the sample, the mean value of *ESG* is 4.114, indicating that the overall ESG performance of enterprises is below the median, which shows that the ESG level of enterprises in China is not good. The mean value of *Religion*, a religious atmosphere variable, is 6.822, with a minimum value of 3.219 and a maximum value of 8.599, indicating that there are also significant differences in the degree of religious influence in different enterprises. There are also significant differences in executive characteristics, especially in terms of age, with large differences between the average age of management in different firms. The statistical distribution of the other variables is also still normal.

Table 2. Sample descriptive statistics

variant	N	average value	(statistics) standard deviation	upper quartile	minimum value	maximum values
<i>ESG</i>	16696	4.114	1.158	4	1	8
<i>Religion</i>	16696	6.822	1.101	7.013	3.219	8.599
<i>Lev</i>	16696	0.415	0.196	0.409	0.0550	0.907
<i>Roa</i>	16696	0.032	0.080	0.037	-0.441	0.226
<i>Top1</i>	16696	0.329	0.143	0.303	0.0860	0.738
<i>Age</i>	16696	3.923	0.064	3.927	3.741	4.071
<i>Man_shp</i>	16696	0.347	0.148	0.326	0.058	0.750
<i>Dual</i>	16696	0.323	0.468	0	0	1
<i>Indr</i>	16696	0.381	0.065	0.364	0.250	0.600

Source: Organized by the author

4.2. Univariate Difference Tests and Correlation Analysis

Table 3. Comparison of the main variables of strong and weak religious climate

variant	Strong Religious Climate Business Sample		Sample of a business with a weak religious climate		Comparison of the two samples difference in mean value
	sample size	average value	sample size	average value	
<i>ESG</i>	7685	4.092	9011	4.133	-0.041**
<i>Lev</i>	7685	0.426	9011	0.406	0.020***
<i>Roa</i>	7685	0.027	9011	0.035	-0.008***
<i>Top1</i>	7685	0.330	9011	0.328	0.003
<i>Age</i>	7685	3.924	9011	3.922	0.002*
<i>Man_shp</i>	7685	0.344	9011	0.349	-0.004*
<i>Dual</i>	7685	0.306	9011	0.337	-0.031***
<i>Indr</i>	7685	0.381	9011	0.381	0.000

Source: Organized by the author

Table 4. Correlation analysis

	<i>ESG</i>	<i>Religion</i>	<i>Lev</i>	<i>Roa</i>	<i>Top1</i>	<i>Age</i>	<i>Man shp</i>	<i>Dual</i>	<i>Indr</i>
<i>ESG</i>	1								
<i>Religion</i>	0.040***	1							
<i>Lev</i>	-0.143***	-0.066***	1						
<i>Roa</i>	0.260***	0.059***	-0.323***	1					
<i>Top1</i>	0.134***	-0.0110	-0.0120	0.176***	1				
<i>Age</i>	0.138***	-0.034***	0.073***	0.095***	0.144***	1			
<i>Man shp</i>	0.159***	0.016**	-0.070***	0.207***	0.862***	0.112***	1		
<i>Dual</i>	-0.00900	0.062***	-0.122***	0.0120	-0.039***	-0.182***	-0.016**	1	
<i>Indr</i>	0.058***	0.019**	-0.038***	0.015*	0.0100	-0.026***	0.035***	0.122***	1

Source: Organized by the author

In order to examine the impact of religious atmosphere on corporate ESG performance, this paper divides the sample into "weak religious atmosphere" group (smaller than the sample mean) and "strong religious atmosphere" group (larger than the sample mean) based on the mean value of the intensity of religious atmosphere, and conducts the univariate between-group difference test. As shown in Table 3, the *ESG* of the "Strong Religious Climate" group is significantly higher than that of the "Low Religious Climate" group, and is

significant at the 5% level. The results of correlation analysis in Table 4 show that the correlation coefficient between *Religion* and *ESG* is 0.040, and it is significant at 1% level. The above results initially indicate that religious atmosphere does have a positive effect on corporate ESG performance, and hypothesis H1 is verified.

4.3. Analysis of Regression Results

1. Religious climate and corporate ESG performance

Table 5. Religious Climate and Corporate ESG Performance

variant	<i>ESG</i>					
	(1)	(2)	(3)	(4)	(5)	(6)
	<i>Religion</i>		<i>Religion advanced</i>		<i>Religion key</i>	
<i>X</i>	0.0377***	0.0271**	0.1129***	0.0907***	0.0881***	0.0673***
	(3.0334)	(2.3705)	(5.3949)	(4.7032)	(5.6986)	(4.7257)
<i>Lev</i>		-0.6684***		-0.6647***		-0.6616***
		(-11.2783)		(-11.2270)		(-11.1713)
<i>Roa</i>		0.9607***		0.9584***		0.9585***
		(9.1661)		(9.1476)		(9.1489)
<i>Top1</i>		0.0202		0.0283		0.0304
		(0.1354)		(0.1901)		(0.2044)
<i>Age</i>		1.8076***		1.8158***		1.8029***
		(10.4246)		(10.4822)		(10.4102)
<i>Man shp</i>		0.8606***		0.8406***		0.8400***
		(6.1844)		(6.0424)		(6.0383)
<i>Dual</i>		-0.0157		-0.0190		-0.0177
		(-0.7586)		(-0.9178)		(-0.8568)
<i>Indr</i>		0.4887***		0.4911***		0.4896***
		(3.7838)		(3.8047)		(3.7931)
<i>Constant</i>	3.4790***	-3.7886***	3.5572***	-3.7751***	3.5841***	-3.6989***
	(23.2980)	(-5.4501)	(27.3190)	(-5.4684)	(27.8107)	(-5.3641)
sector	containment	containment	containment	containment	containment	containment
particular year	containment	containment	containment	containment	containment	containment
<i>N</i>	16696	16696	16696	16696	16696	16696
<i>R-squared</i>	0.0072	0.0073	0.0071	0.0073	0.0070	0.0072

Note: ***, **, and * indicate significant at the 1%, 5%, and 10% levels, respectively, and t-values of regression coefficients are in parentheses, below. Source: Organized by the authors

Table 5 presents the results of the panel regression analysis based on the full sample. Columns (1)-(2) show the regression results using *Religion* as a measure of religious climate, columns (3)-(4) show the results after replacing the explanatory variables with *Religion advanced*, and columns (5)-(6) show the results after replacing the explanatory variables with *Religion_key* results after replacing the explanatory variables with *Religion_key*. Where *Religion advanced* is the result after standardizing the number of harmonious and advanced temples and Taoist temples within 200 km of the firm, and *Religion_key* is the result after standardizing the number of key temples and

Taoist temples within 200 km of the firm. Columns (1), (3), and (5) show the regression results without adding control variables, and the regression coefficients of *Religion*, *Religion advanced*, and *Religion_key* are significantly positive, which indicates that there is a significant positive relationship between religious atmosphere and ESG performance, i.e., the stronger the religious atmosphere, the better the ESG performance of the enterprises. Columns (2), (4), and (6) show the results after adding control variables. Column (2) The regression coefficient of *Religion* on *ESG* is 0.0271 and significant at 1% level. The results show that for every one standard deviation increase in *Religion*, the ESG

performance of the firm increases by 2.71% and Hypothesis 1 is verified. *Religion_advanced* indicates the number of harmonious and advanced temples within 200 kilometers of the company, and the regression coefficient of *ESG* is 0.0907, which is significant at 1% level, indicating that the more harmonious and advanced temples within 200 kilometers of the company, the more ESG performance of the company. *Religion_key* denotes the number of key temples within 200 kilometers of the enterprise, and the regression coefficient of *ESG* is 0.0673, which is significant at 1% level, indicating that if the number of key temples within 200 kilometers of the enterprise is higher, the ESG performance of the enterprise is better. A comprehensive comparison of the regression results of columns (2), (4) and (6) reveals that the regression coefficients of columns (4) and (6) are larger than those of column (2) and are more significant than those of column (2), indicating that harmonious and advanced temples as well as key temples have a stronger contribution to ESG performance

2. Religious climate and the level of corporate governance, environmental performance and social responsibility

Based on the above analysis, the constraints on "desires" advocated by religions can encourage managers to be more considerate of stakeholders, take the initiative to assume corporate responsibility, reduce agency costs, tend to make more prudent investment activities, reduce corporate irregularities, and thus improve the level of corporate governance. *governance* is a term used to describe the level of corporate governance. level. Drawing on the research of Zhou Xi et al. (2020), principal component analysis is used to construct comprehensive indicators to measure it. constructed from supervision, incentives, and decision-making. The incentive mechanism selects executive compensation and executive shareholding ratio, and the supervisory role of board of directors selects the proportion of independent directors and board size. The supervisory role of equity structure selects the proportion of institutional shareholding and the degree of equity checks and balances, and the general

manager's decision-making establishes the choice of whether the chairman of the board of directors and the general manager have dual positions, and the loading coefficients of the seven variables are 0.331, 0.461, -0.502, 0.432, 0.289, -0.019, and -0.379, respectively. Based on the above indexes and using the principal component analysis, the first principal component will be used as a comprehensive index reflecting the level of corporate governance. as a comprehensive indicator reflecting the level of corporate governance (*Governance*), the larger the *Governance* indicates the better the level of corporate governance. Environmental performance, as an important component of ESG performance, is characterized by an obvious externality, where the gain of one party may lead to the loss of the other party's interests. This loss is not only on the economic level, but also on factors such as emotion and moral sense. In the context of the current stage of China's formal system is not quite perfect, this paper examines the impact of the informal system on environmental performance. As the environmental performance data of enterprises in China is not published by the government, but the relevant departments will award environmental honors to enterprises with better environmental performance in order to stock enterprises to achieve environmental goals. In order to achieve the empirical objective, this paper refers to the research of Wu Hongjun (2014) [1], which determines the environmental performance (EP) of enterprises according to whether they have received honors or awards in environmental protection, and the value assigned to those who have received awards is 1, and 0 otherwise. Religious requirements for altruism and charity make enterprises pay attention to the fulfillment of their social responsibility, and this paper refers to the research of Jia Xingping et al. (2014), which uses the Hexun.com CSR score data to measure the level of corporate social responsibility. The larger the value is the higher level of corporate social responsibility.

Table 6. Religious Climate and Corporate Governance Level, Environmental Performance and Social Responsibility

variant	ESG					
	Governance		EP		CSR	
	(1)	(2)	(3)	(4)	(5)	(6)
<i>Religion</i>	0.0667*** (4.8638)	0.0355*** (3.8541)	0.0263 (1.2425)	0.0407* (1.8824)	0.1069 (1.5089)	0.1155** (2.2225)
<i>Lev</i>		-0.3462*** (-8.6775)		1.5524*** (11.0204)		-0.2995*** (-3.0395)
<i>Roa</i>		-0.3734*** (-6.4770)		4.3891*** (9.9865)		7.7287*** (67.0174)
<i>Top1</i>		-1.8733*** (-17.6420)		1.8420*** (5.0090)		0.5248* (1.9055)
<i>Age</i>		-1.8422*** (-15.4760)		3.8085*** (9.3116)		-0.7839*** (-2.6893)
<i>Man shp</i>		1.5014*** (15.5371)		-1.2140*** (-3.4131)		-0.1839 (-0.8679)
<i>Dual</i>		0.8028*** (62.0957)		-0.1152** (-2.0837)		-0.0217 (-0.8438)
<i>Indr</i>		3.3755*** (43.7810)		0.2143 (0.5861)		-0.1005 (-0.7634)
<i>Constant</i>	-0.4660*** (-2.9593)	5.6449*** (11.7655)	-2.1805*** (-7.9407)	-18.2839*** (-11.1337)	1.6380** (2.1671)	4.4451*** (3.4776)
sector	containment	containment	containment	containment	containment	containment
particular year	containment	containment	containment	containment	containment	containment
<i>N</i>	12164	12164	14336	14336	9163	9163
<i>R-squared</i>	0.0350	0.3069	0.0492	0.0787	0.0100	0.4688

Source: Organized by the author

Table 6 presents the relationship between Religious Climate and Corporate Governance Level (*Governance*), Environmental Performance (*EP*) and Social Responsibility (*CSR*). Columns (1), (3), and (5) are the results without adding control variables, and the coefficient of Religion is positive, which is not significant but indicates that there is a relationship between Religion and the level of corporate governance, environmental performance, and social responsibility. (2), (4), and (6) are the results after adding control variables, the regression coefficient of *Religion* on *Governance* is 0.0355, and it is significant at 1% level, which indicates that religion constrains managers' desires and influences managers' attitudes towards risk, and can improve the level of corporate governance, and the regression coefficient of *Religion* on *EP* is 0.0407 and significant at 10% level, which indicates that religion influenced by religion has a certain relationship with corporate governance level, environmental performance, and social responsibility. The regression coefficient of Religion on EP is 0.0407 and significant at the 10% level, which indicates that under the

influence of religion, companies focus on long-term environmental sustainability, which contributes to the improvement of environmental performance; the regression coefficient of *Religion* on *CSR* is 0.1155 and significant at the 5% level, which suggests that religion advocates the sustainability of the social environment and encourages companies to take the initiative to assume social responsibility. Therefore, the deeper the influence of religion, the more willing the company is to assume social responsibility, and the regression results further prove the hypothesis H1, i.e., the stronger the religious atmosphere, the better the corporate governance level, environmental performance and social responsibility, and the better the company's ESG performance.

3. Path analysis

Drawing on the studies of Wen Zhonglin et al. (2004) and Jiang Boat (2022) [4], a two-step model of the mediating effect is constructed. Among them, the first step model is the same as model (1) above, and the second step model is as follows:

$$Overpay_{i,t} / Overpay_r_{i,t} / Myopia_{i,t} / Moral_{i,t} / Moral_r_{i,t} = \alpha_0 + \alpha_1 Religion_{i,t} + \sum \alpha_i Controls_{i,t} + \varepsilon_{i,t} \quad (2)$$

In model (2), *Overpay*, *Overpay_r*, and *Myopia* are mediating variables representing managerial self-interest and managerial shortsightedness, respectively. *Moral*, *Moral_r* represent the level of social morality and shame, respectively.

(1) The path of suppressing managerial self-interest (*Overpay*, *Overpay_r*) and short-sightedness (*Myopia*). Table 7 shows the path analysis of religion by suppressing managerial self-interest and short-sightedness so as to enhance the ESG level of enterprises. Among them, managerial self-interest refers to the study of Wang Kemin et al. (2018) which uses managerial overpay as an indicator to measure managerial self-interest. Regarding the measurement of managerial excess compensation, this paper refers to Wu Liansheng et al. (2010) and Luo Hong et al. (2014), which use the difference between the total compensation of the top three executives of the enterprise (the top three in terms of compensation among directors, supervisors, and senior executives) and the expected compensation estimated using the compensation decision model to express the difference between the total compensation of the top three executives of the enterprise and the expected compensation using the compensation decision model, and the larger the value of the indicator indicates that the more obvious self-interested behavior of the manager is; managerial shortsightedness In this paper, we refer to the practice of Hu Nan et al. (2021), and calculate the proportion of the total word frequency of "short-term perspective" to the total word frequency of MD&A by dictionary method, and then multiply it by 100 to get the indicator of managers' short-sightedness, and the bigger the value is, the more serious the tendency of managers' short-sightedness is. By taking managerial self-interest and managerial shortsightedness as explanatory variables, this paper analyzes the possible mechanisms by which the religious atmosphere affects corporate ESG performance.

Columns (1)-(4) of Table 7 present the mechanistic analysis of the managerial self-interest path. Columns (2) and (4) show

the regression results after adding the control variables. From the regression results, the regression coefficient between religious atmosphere and managerial self-interest in column (2) is -0.0462 and significant at the 10% level, and the regression coefficient of religious atmosphere in column (4) is -0.0896 and significant at the 1% level, which indicates that the religious atmosphere is able to constrain managerial self-interested behavior. Managerial self-interest inhibits corporate ESG performance. On the one hand, managers are not willing to invest too much cost in long term ESG investment to avoid losing their own interests and maintain their own interests out of self-interested motives, which will be unfavorable to corporate ESG performance. On the other hand, ESG investment can bring low economic returns, managers out of self-interest motives are not willing to carry out low return ESG investment is also not conducive to corporate ESG performance. In summary, religious climate can promote corporate ESG performance by mitigating managers' self-interested behavior. Columns (5)-(6) of Table 7 show the mechanism analysis of managerial myopia. Column (6) shows the results after adding control variables, and from the regression results, the regression coefficient of religious atmosphere in column (6) is -0.0076 and is significant at the 10% level, which indicates that religious atmosphere can inhibit managerial shortsightedness behavior. Managerial myopia is detrimental to corporate ESG performance. Specifically, ESG is a long-term oriented corporate decision, which is contrary to managerial myopic tendency, thus managerial myopic tendency will make management reluctant to make ESG-level decisions. At the same time, managerial myopia reduces managers' risk-taking level, causing management to avoid making ESG decisions due to their unwillingness to bear the capital invested in ESG, which is detrimental to corporate ESG performance. In summary, religious climate can promote corporate ESG performance by alleviating managerial myopic behavior.

Table 7. Curbing managerial self-interest, short-sighted paths

variant	Overpay		Overpay <i>r</i>		Myopia	
	(1)	(2)	(3)	(4)	(5)	(6)
<i>Religion</i>	-0.0426*	-0.0462*	-0.0860***	-0.0896***	-0.0077*	-0.0076*
	(-1.6918)	(-1.8624)	(-3.3982)	(-3.5986)	(-1.9416)	(-1.9356)
<i>Lev</i>		-0.0864**		-0.0937**		0.0070
		(-2.2684)		(-2.4547)		(1.0339)
<i>Roa</i>		-0.6786***		-0.7843***		-0.0380***
		(-15.2147)		(-17.5353)		(-4.7006)
<i>Top1</i>		-0.2409**		-0.2160**		-0.0298
		(-2.2652)		(-2.0252)		(-1.5135)
<i>Age</i>		-0.3715***		-0.1108		0.0336
		(-3.2378)		(-0.9631)		(1.6123)
<i>Man shp</i>		0.0547		0.1325		0.0087
		(0.6491)		(1.5688)		(0.5362)
<i>Dual</i>		0.0175*		-0.0087		-0.0011
		(1.6515)		(-0.8188)		(-0.5766)
<i>Indr</i>		-0.0151		-0.0912		-0.0139
		(-0.2553)		(-1.5360)		(-1.3193)
<i>Constant</i>	0.7161***	2.2700***	1.0889***	1.6361***	0.1607***	0.0378
	(3.5155)	(4.6345)	(5.3121)	(3.3310)	(4.6136)	(0.4275)
sector	containment	containment	containment	containment	containment	containment
particular year	containment	containment	containment	containment	containment	containment
<i>N</i>	12248	12248	12248	12248	16562	16562
<i>R-squared</i>	0.0186	0.0463	0.0227	0.0570	0.0297	0.0325

Source: Organized by the author

(2) The path of creating an ethical environment. Table 8 shows the analysis of the path of religion through creating a moral environment and then improving the ESG level of enterprises. In this paper, we refer to the study of Pan Zicheng et al. (2022), and use the CGSS (2013) survey data to measure the moral environment (*Moral*, *Moral_r*) in each region. Specifically, the relevant question in the survey, "Your overall satisfaction with the current moral situation in China's society", was selected, with a scale of 1-5, corresponding to "very satisfied" to "very dissatisfied", and the moral environment in each province was calculated. "The mean value of all respondents in each province was calculated. In order to facilitate the interpretation of the empirical results, *Moral* inverted all the mean values obtained, and the final

value obtained is the indicator of social morality (*Moral*), with higher scores representing higher social morality in the region. Secondly, the question on moral concepts in the survey "How serious do you think the lack of shame is in the current society" was selected and rated from 1 to 5, corresponding to "not very serious" to "very serious". Secondly, we selected the question "How serious do you think the current society lacks a sense of shame?" from the survey on moral concepts, rated 1-5, corresponding to "very not serious" to "very serious" respectively, and calculated the mean value of all the respondents in each province, and *Moral_r* reversed the mean value, so that the final value is the index of the sense of shame (*Moral_r*), with a higher score representing a more serious sense of shame.

Table 8. Pathways to an ethical environment

variant	<i>Moral</i>		<i>Moral_r</i>	
	(1)	(2)	(3)	(4)
<i>Religion</i>	0.0023**	0.0023**	0.0493***	0.0493***
	(2.0142)	(2.0088)	(27.4879)	(27.4852)
<i>Lev</i>		0.0009		0.0066**
		(0.4986)		(2.3706)
<i>Roa</i>		0.0040*		-0.0034
		(1.8871)		(-1.0307)
<i>Top1</i>		0.0043		0.0088
		(0.8217)		(1.0963)
<i>Age</i>		-0.0071		-0.0211**
		(-1.2797)		(-2.4571)
<i>Man shp</i>		-0.0104**		-0.0106
		(-2.4208)		(-1.5886)
<i>Dual</i>		0.0015***		0.0000
		(2.9250)		(0.0495)
<i>Indr</i>		0.0021		0.0009
		(0.7427)		(0.2131)
<i>Constant</i>	-2.9208***	-2.8926***	-3.4623***	-3.3824***
	(-3.0e+02)	(-1.2e+02)	(-2.3e+02)	(-92.0775)
sector	containment	containment	containment	containment
particular year	containment	containment	containment	containment
<i>N</i>	16146	16146	16146	16146
<i>R-squared</i>	0.0055	0.0073	0.0621	0.0635

The regression results are shown in Table 8, where the coefficients of *Moral* in columns (1)-(2) are significantly positive, indicating that the higher the level of social morality in regions with a stronger religious culture. (The coefficients of *Moral_r* in columns (3)-(4) are significantly positive, indicating that the stronger the religious culture is, the stronger the sense of shame is in the region. Moral environment can enhance corporate ESG performance. On the one hand, a good ethical situation can prompt individuals to sacrifice themselves for others and enhance their dedication, which in turn enables managers to give more consideration to stakeholders in decision-making and sacrifice part of their economic interests to fulfill their ESG responsibilities, thus enhancing corporate ESG performance. On the other hand, under the pressure of moral punishment and the incentive of moral praise, enterprises will feel ashamed of unethical behaviors and feel honored by ethical behaviors that promote the development of the enterprise, which can promote enterprises to actively fulfill their ethical obligations and improve their ESG performance. To summarize, religious atmosphere can enhance the ESG level of enterprises by creating an ethical environment.

5. Expansive Research

5.1. Moderating Effects

1. the moderating effect of family business on religious

climate and corporate ESG performance

An important feature of religion is that families of believers are passed on from generation to generation and are relatively stable. Significant differences in cultural values can lead to differences in socio-emotional wealth, in order to verify the inheritance of religion, this paper investigates the moderating effect of family business (*Family*) on religion and ESG performance, in which the data of family firms are obtained from CSMAR database. This paper defines the dummy variable *Family*, which is assigned a value of 1 if the enterprise is a family business; otherwise it is 0. *Family* is added to the enterprise sample data for further regression, and the regression results are shown in Table 9. Column (3) The coefficient of the interaction product term of *Religion* and *Family* is 0.0805 and is significant at 1% level, which indicates that if the enterprise is a family-run business, the religious atmosphere contributes more to the ESG performance of the enterprise. Family members' sense of identification and belonging to the firm makes the firm more willing to maintain its corporate image, and religion is passed down within the family, which can contribute to corporate ESG performance by inhibiting managerial misbehavior and promoting long-term corporate orientation.

Table 9. Moderating effect of family business on religious climate and corporate ESG performance

variant	ESG		
	Family=0 (1)	Family=1 (2)	full sample (3)
Religion	-0.0074 (-0.5297)	0.0605*** (3.9987)	0.0390 (0.6672)
Family			-0.6304*** (-4.2668)
Religion*Family			0.0805*** (3.8241)
Lev	-0.5171*** (-6.5755)	-0.8157*** (-10.2042)	-0.8159*** (-8.4672)
Roa	1.9672*** (10.1377)	0.7465*** (6.0148)	-0.2540** (-2.2200)
Top1	-0.0694 (-0.2961)	-0.1570 (-0.8434)	-0.6796** (-2.4318)
Age	2.2470*** (9.1568)	1.0705*** (4.7215)	0.6042** (2.0449)
Man shp	0.9931*** (4.4111)	0.9651*** (5.6865)	0.7418*** (3.2126)
Dual	0.0234 (0.7222)	0.0065 (0.2476)	-0.0112 (-0.4137)
Indr	0.8163*** (4.2802)	0.5085*** (3.0060)	0.2504* (1.6806)
Constant	-5.8724*** (-5.9953)	-0.7131 (-0.7863)	2.3031* (1.8301)
sector	containment	containment	containment
particular year	containment	containment	containment
N	6724	9972	16696
R-squared	0.0048	0.0190	0.0187

Source: Organized by the author

2. The moderating role of formal institutions on religious climate and corporate ESG performance

Considering that the concept of ESG has not been proposed in China for a long time and the related market and legal systems are not perfect, after affirming the role of the informal institutional environment, this paper further explores the moderating role of the formal system in the religious climate and corporate ESG performance. Referring to the study of Fan

et al. (2011) [5], this paper uses the marketization index (*System*) to represent the institutional environment of enterprises. According to the definition of Fan et al. (2011) [54], the smaller this index is, the lower the degree of marketization of the region. When the marketization index of the province where the enterprise is located is higher than the average value of the marketization index of all provinces, we define the institutional environment dummy variable as 1 (i.e.,

for the group with a higher level of marketization), otherwise it is 0 (i.e., for the group with a lower level of marketization), and *System* is added to the sample data of the enterprise to conduct the regression. The regression results are shown in Table 10, according to the regression results, column (3) the interaction product term of *Religion* and *System* is -0.0702,

and it is significant at 10% level, which indicates that there exists a certain complementary relationship between the formal system and the informal system in terms of for the improvement of the enterprise's ESG performance, and both of them synergistically work together to promote the progress of the enterprise's ESG performance.

Table 10. The Moderating Effect of Formal Institutions on Religious Climate and Corporate ESG Performance

variant	ESG		
	System=0	System=1	full sample
	(1)	(2)	(3)
<i>Religion</i>	0.0529*** (2.7133)	-0.0167 (-0.9816)	0.0581*** (3.3215)
<i>System</i>			0.5203*** (3.3023)
<i>Religion*System</i>			-0.0738*** (-3.2810)
<i>Lev</i>	-0.3934*** (-3.4997)	-0.6984*** (-8.3086)	-0.5928*** (-8.7900)
<i>Roa</i>	1.3865*** (6.9739)	0.8953*** (5.9128)	0.9889*** (8.3057)
<i>Top1</i>	-0.1570 (-0.6092)	0.0517 (0.2854)	-0.0657 (-0.4372)
<i>Age</i>	1.4603*** (4.5994)	1.8438*** (8.0037)	1.6635*** (8.8648)
<i>Man_shp</i>	0.7718*** (3.1413)	0.7663*** (4.5518)	0.7811*** (5.5576)
<i>Dual</i>	-0.0492 (-1.2845)	-0.0334 (-1.1988)	-0.0332 (-1.4727)
<i>Indr</i>	0.7333*** (2.9097)	0.2897 (1.5740)	0.4474*** (3.0228)
<i>Constant</i>	-2.7016** (-2.1307)	-2.9773*** (-3.1788)	-3.2609*** (-4.3015)
sector	containment	containment	containment
particular year	containment	containment	containment
<i>N</i>	4643	7690	12333
<i>R-squared</i>	0.0042	0.0127	0.0096

Source: Organized by the author

5.2. The Impact of Buddhism and Taoism on Corporate ESG Performance

Different types of religions have different social functions and value orientations, in order to test the impact of different religions (i.e., Taoism and Buddhism in this paper) on corporate ESG performance, this paper distinguishes between Buddhism and Taoism and makes further estimates. Table 11 presents the relationship between Buddhism, Taoism and corporate ESG performance. *Religion_bm* and *Religion_tao* are normalized by the number of Buddhist temples and Taoist temples within 200 km of the firm, respectively. The traditional view suggests that "Buddhism and Taoism are one family" and that Buddhism and Taoism are essentially the same, however, this study finds that the effect of religion on ESG performance is asymmetric. The regression coefficients of *Religion_bm* and *Religion_tao* in Column (1) are 0.0248 and 0.0328, respectively, and are significant at the 1% level, and the difference in the regression coefficients suggests that Taoism has a stronger effect on the ESG performance of firms. In addition, the regression coefficients of Buddhism on environmental performance in column (5) are 0.0374 and significant at 10% level, and the regression coefficients of Taoism on environmental performance in column (6) are 0.0466 and significant at 5% level, and the comparison of columns (5) and (6) reveals that Taoism has a stronger role in

promoting environmental performance, which is attributable to the following factors: firstly, Taoism is a local Chinese religion, which is in line with the requirements of Chinese politics and ethics, and more suitable for the development of Chinese society. Firstly, Taoism is a local Chinese religion, which is in line with the political and ethical requirements of China and is more adapted to the development of Chinese society, so it can be more easily accepted by local Chinese believers and can effectively influence the behavior of decision makers, which has a greater impact on the ESG performance of enterprises. Secondly, Buddhism is affected by the impact of the commercial tide, showing a tendency of commercialization, and Buddhist temples are mostly tourist-oriented, weakening the function of edification and thus gradually weakening the influence on believers, which makes its influence on corporate ESG performance not as great as that of Taoism. Finally, compared to Buddhism's emphasis on "karma" and "good and evil will be rewarded", Taoism opposes "delusional actions" and urges people to "refrain from all kinds of evils and practice all kinds of good deeds", which makes believers more likely to be involved in corporate ESG performance. "This makes believers emphasize respect for nature, believe that there is a karmic relationship between all natural things, and pursue the harmonious development of man and nature, which is more conducive to the environmental performance of enterprises.

Table 11. Impact of Buddhism and Taoism on Corporate ESG Performance

variant	ESG		Governance		EP		CSR	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<i>Religion bm</i>	0.0248**		0.0355***		0.0374*		0.1263**	
	(2.2119)		(3.9364)		(1.7623)		(2.3668)	
<i>Religion tao</i>		0.0328***		0.0326***		0.0466**		0.1263**
		(3.1787)		(3.8474)		(2.4794)		(2.3668)
<i>Lev</i>	-0.6683***	-0.6684***	-0.3456***	-0.3472***	1.5523***	1.5522***	-0.2995***	-0.2995***
	(-11.2760)	(-11.2827)	(-8.6617)	(-8.7031)	(11.0195)	(11.0163)	(-3.0395)	(-3.0395)
<i>Roa</i>	0.9611***	0.9606***	-0.3732***	-0.3719***	4.3902***	4.3945***	7.7280***	7.7280***
	(9.1701)	(9.1675)	(-6.4749)	(-6.4529)	(9.9876)	(9.9986)	(67.0166)	(67.0166)
<i>Top1</i>	0.0193	0.0233	-1.8730***	-1.8745***	1.8403***	1.8438***	0.5259*	0.5259*
	(0.1294)	(0.1561)	(-17.6392)	(-17.6534)	(5.0024)	(5.0296)	(1.9097)	(1.9097)
<i>Age</i>	1.8061***	1.8162***	-1.8436***	-1.8357***	3.8062***	3.8153***	-0.7849***	-0.7849***
	(10.4167)	(10.4735)	(-15.4896)	(-15.4136)	(9.3044)	(9.3327)	(-2.6931)	(-2.6931)
<i>Man shp</i>	0.8613***	0.8600***	1.5009***	1.5048***	-1.2130***	-1.2095***	-0.1853	-0.1853
	(6.1891)	(6.1819)	(15.5323)	(15.5747)	(-3.4088)	(-3.4131)	(-0.8749)	(-0.8749)
<i>Dual</i>	-0.0156	-0.0159	0.8027***	0.8029***	-0.1149**	-0.1169**	-0.0219	-0.0219
	(-0.7560)	(-0.7702)	(62.0910)	(62.1094)	(-2.0777)	(-2.1153)	(-0.8507)	(-0.8507)
<i>Indr</i>	0.4888***	0.4891***	3.3752***	3.3757***	0.2132	0.2199	-0.0997	-0.0997
	(3.7848)	(3.7874)	(43.7776)	(43.7839)	(0.5831)	(0.6012)	(-0.7574)	(-0.7574)
<i>Constant</i>	-3.7617***	-3.8021***	5.6592***	5.6957***	-18.2428***	-18.2719***	4.4028***	4.4028***
	(-5.4168)	(-5.4855)	(11.8136)	(11.9151)	(-11.1101)	(-11.1548)	(3.4489)	(3.4489)
sector	containment	containment	containment	containment	containment	containment	containment	containment
vintages	containment	containment	containment	containment	containment	containment	containment	containment
<i>N</i>	16696	16696	12164	12164	14336	14336	9163	9163
<i>R-squared</i>	0.0073	0.0074	0.3070	0.3070	0.0786	0.0788	0.4688	0.4688

Source: Organized by the author

5.3. Robustness Tests

1. Endogeneity test

Table 12. Endogeneity test

variant	Phase I	Phase II	<i>PSM</i>
	<i>Religion</i>	<i>ESG</i>	<i>ESG</i>
	(1)	(2)	(3)
<i>Ground</i>	0.0437***		
	(3.4647)		
<i>Religion</i>		0.3783**	0.0271**
		(2.1097)	(2.3705)
<i>Lev</i>	-0.0003	-0.3386***	-0.6684***
	(-0.0167)	(-5.6693)	(-11.2783)
<i>Roa</i>	0.0054	2.8288***	0.9607***
	(0.2959)	(17.7438)	(9.1661)
<i>Top1</i>	-0.0051	0.1930	0.0202
	(-0.1169)	(1.2394)	(0.1354)
<i>Age</i>	-0.0119	2.4163***	1.8076***
	(-0.2554)	(15.1784)	(10.4246)
<i>Man shp</i>	0.0315	0.6144***	0.8606***
	(0.8628)	(4.0746)	(6.1844)
<i>Dual</i>	0.0050	-0.0595**	-0.0157
	(1.1670)	(-2.1857)	(-0.7586)
<i>Indr</i>	0.0021	0.8924***	0.4887***
	(0.0865)	(6.3226)	(3.7838)
<i>Constant</i>	6.8084***	-8.7928***	-3.7886***
	(36.0423)	(-5.9819)	(-5.4501)
sector	containment	containment	containment
particular year	containment	containment	containment
<i>N</i>	16685	16685	16696
<i>R-squared</i>	0.0042	0.004	0.0073

Source: Organized by the author

Considering the endogeneity of economic relationships, i.e., religious climate can inhibit managers' self-interested and short-sighted behaviors, which can have a positive effect on firms' ESG performances; at the same time, when firms have good ESG performances, managers are more inclined to use a long-term oriented decision-making perspective and are able to take stakeholders into account, which makes managers

more willing to locate their firms in areas with a strong religious climate in order to facilitate the establishment of a relevant corporate culture. Therefore, in order to address the possible endogeneity issue, this paper adopts the instrumental variable method and propensity matching score method to test the results of this paper with reference to the study by Jiang, Aihua (2023) [11]. Specifically, this paper constructs the

following instrumental variables: adopting terrain data of each region as the instrumental variable terrain data as the instrumental variable satisfies (1) exogeneity: terrain data is exogenous and has no direct correlation with the ESG performance of enterprises. (2) Correlation: topography is correlated with religious atmosphere. First of all, topography affects the spread of religion; the more complex the terrain, the more closed the area, the more difficult it is to spread religion and other cultural factors, and the weaker the religious atmosphere. In addition, ethnic minorities tend to integrate with the natural environment and often choose to settle in areas with higher terrain. Ethnic minorities tend to be more influenced by their own religious culture and are farther away from modern civilization, so there is an intrinsic connection between topography and religious atmosphere. To summarize, using the terrain factor as an instrumental variable takes into account the requirements of exogeneity and relevance. In this paper, the average altitude of each region is used to measure the regional topography and the data is processed by taking the logarithm (*Ground*). The regression results are shown in Table 12. The first stage of regression in Column (1) shows that the regression result between topography and the proxy variable of religious atmosphere of the firm is 0.0437 and is significant at the 1% level, indicating that the higher the altitude of the location of the firm the higher the religious atmosphere of the firm. In addition, the results of the second stage regression in column (2), the regression coefficient of Religion is 0.3783 and significant at

1% level, indicating that the more the firm is influenced by religion, the better the firm's ESG performance. The results show that after overcoming the possible endogeneity problem, the correlation regression results of *Religion* and *ESG* are still significantly positive, which is consistent with the conclusion above; in the process of testing the propensity matching score method, the variables indicating the characteristics of the enterprise, i.e., all control variables used in the regression are used as the basis for calculating the propensity scores of the treatment group and the control group, and are matched by the one-to-one nearest-neighbor matching method. The regression was run again and the results, as shown in column (3) of Table 12, remained significantly positive.

2. Replacement of explanatory/primary explanatory variables

In order to avoid the specificity of a single ESG indicator and the influence of geographical distance, this paper replaces the explanatory variable with the ESG rating of Shangdao Ronglv (*ESG if*), and the results, as shown in column (1) of Table 13, are still significant and not too different, further validating the conclusions of this paper. The main explanatory variables are replaced with *Religion100* and *Religion300*, and the number of temples and Taoist temples within 100KM and 300KM of the enterprise are used as the explanatory variables, and the results are shown in columns (2) and (3) of Table 13, and the results are still significant and do not change significantly, which indicates that the results of this paper are robust.

Table 13. Religious Climate and Corporate ESG Performance

variant	ESG					
	(1)	(2)	(3)	(4)	(5)	(6)
	<i>ESG if</i>		<i>Religion100</i>		<i>Religion300</i>	
<i>X</i>	-0.0391*** (-4.9278)	-0.0327*** (-4.3415)	0.0347*** (2.8430)	0.0272** (2.4159)	0.0494*** (3.6805)	0.0397*** (3.2059)
<i>Lev</i>		0.4461*** (9.7334)		-0.6690*** (-11.2898)		-0.6673*** (-11.2630)
<i>Roa</i>		0.7950*** (7.6824)		0.9615*** (9.1750)		0.9585*** (9.1456)
<i>Top1</i>		0.7840*** (6.9817)		0.0240 (0.1612)		0.0229 (0.1539)
<i>Age</i>		2.0679*** (15.6815)		1.8146*** (10.4604)		1.8162*** (10.4741)
<i>Man shp</i>		-0.3656*** (-3.3987)		0.8580*** (6.1640)		0.8571*** (6.1607)
<i>Dual</i>		-0.0613*** (-3.5117)		-0.0160 (-0.7722)		-0.0166 (-0.8043)
<i>Indr</i>		0.2190* (1.8243)		0.4838*** (3.7449)		0.4872*** (3.7731)
<i>Constant</i>	0.2722*** (2.7847)	-8.3028*** (-15.7218)	3.5417*** (25.0765)	-3.7806*** (-5.4430)	3.3679*** (21.2487)	-3.9307*** (-5.6312)
sector	containment	containment	containment	containment	containment	containment
particular year	containment	containment	containment	containment	containment	containment
<i>N</i>	16696	16696	16696	16696	16696	16696
<i>R-squared</i>	0.2236	0.2176	0.0073	0.0073	0.0072	0.0073

Source: Organized by the author

3. Replacement of institutional variables

In this paper, we redefine the institutional variables so that when the marketization index of the province where the firm is located is higher than the median marketization index of all provinces, we define the institutional environment dummy variable as 1 (i.e., for the group with a higher level of

marketization), and 0 otherwise (i.e., for the group with a lower level of marketization), and again perform group regressions. The regression results are shown in Table 14, and the results provide further evidence that formal institutions enhance the contribution of religious climate to corporate ESG performance.

Table 14. The Moderating Effect of Formal Institutions on Religious Climate and Corporate ESG Performance

variant	ESG		
	System=0	System=1	full sample
	(1)	(2)	(3)
<i>Religion</i>	0.0350*	-0.0198	0.0441****
	(1.8732)	(-1.2058)	(2.7119)
<i>System</i>			0.4038****
			(2.6600)
<i>Religion*System</i>			-0.0549**
			(-2.5461)
<i>Lev</i>	-0.4715***	-0.6853***	-0.5960***
	(-4.7018)	(-7.9221)	(-8.8363)
<i>Roa</i>	1.0681***	1.0836***	0.9876***
	(6.3303)	(6.4718)	(8.2939)
<i>Top1</i>	0.0565	-0.0373	-0.0644
	(0.2424)	(-0.2034)	(-0.4286)
<i>Age</i>	1.5191***	1.8027***	1.6630***
	(5.3864)	(7.6107)	(8.8587)
<i>Man shp</i>	0.7425***	0.7636***	0.7775***
	(3.3701)	(4.4631)	(5.5329)
<i>Dual</i>	-0.0409	-0.0355	-0.0326
	(-1.2226)	(-1.2067)	(-1.4486)
<i>Indr</i>	0.6372***	0.2228	0.4431***
	(2.9211)	(1.1210)	(2.9932)
<i>Constant</i>	-2.8097**	-2.8140***	-3.1735***
	(-2.4928)	(-2.9276)	(-4.1910)
sector	containment	containment	containment
particular year	containment	containment	containment
<i>N</i>	5992	6341	12333
<i>R-squared</i>	0.0067	0.0128	0.0095

Source: Organized by the author

4. Consideration of regional factors

The impact of regional factors is further considered. In order to mitigate the possible impact of the regional economic development level, this paper refers to the practice of Ailing Pan et al. (2021), where the regional GDP is grouped according to the annual median to generate a new variable, *MGDP*, which takes the value of 1 (i.e., the group with a better level of economic development) when the province's GDP is higher than the median, and 0 (i.e., the group with a

worse level of economic development) otherwise, and adds the interaction product term of *MGDP* as well as the interaction product term of *MGDP* and *Religion*, the interaction product term of *MGDP* and *MGDP* with *Religion* are added to the empirical model and regressed again, the results are shown in column (2) of Table 15, the coefficients of the interaction product term are not significant, which indicates that there is no effect of regional economic development level.

Table 15. Consideration of regional factors

variant	ESG	
	(1)	(2)
<i>Religion</i>	0.0409	0.0431
	(0.8221)	(0.8902)
<i>MGDP</i>	0.1945	0.2589
	(0.5807)	(0.7986)
<i>MGDP*Religion</i>	-0.0113	-0.0212
	(-0.2181)	(-0.4203)
<i>Lev</i>		-0.5494***
		(-6.4320)
<i>Roa</i>		0.5430***
		(4.2244)
<i>Top1</i>		0.0058
		(0.0304)
<i>Age</i>		1.7176***
		(7.1874)
<i>Man shp</i>		0.9499***
		(5.4453)
<i>Dual</i>		-0.0558**
		(-2.0357)
<i>Indr</i>		0.4630***
		(2.6591)
<i>Constant</i>	3.5932***	-3.4492***
	(10.2771)	(-3.4483)
sector	containment	containment
particular year	containment	containment
<i>N</i>	9223	9223
<i>R-squared</i>	0.0250	0.0187

Source: Organized by the author

6. Conclusion and Limitations of the Study

This paper examines the effects and mechanisms of religious culture and its implicit value norms on corporate ESG performance from the perspective of informal institutions. The study shows that, first, the stronger the influence of religious culture, the better the ESG performance of enterprises, indicating that the religious atmosphere can help to improve the ability of high-quality development of enterprises, and can comprehensively improve the level of high-quality development of enterprises from three aspects: corporate governance, environmental performance, and social responsibility. Secondly, through further path tests, it is found that religious culture mainly enhances the decision-making level of corporate managers through the paths of suppressing managerial self-interest and suppressing managerial short-sightedness, which in turn affects the ESG performance of corporations. In addition, religious culture can create a moral environment, improve social morality and personal shame, and thus improve corporate ESG performance. Third, the contribution of religious culture to corporate ESG performance is more pronounced in firms with poor formal institutional environments and family-run businesses. Fourth, breaking down Taoism and Buddhism, this paper shows that Taoism has a greater effect on ESG performance than Buddhism, especially in promoting corporate environmental performance. It indicates that corporate ESG performance is influenced by traditional Chinese religions and that the Taoism of different religions has different effects on corporate ESG performance.

This paper focuses on the theme of high-quality corporate development centered on corporate governance, environmental performance, and social responsibility, and explores the impact of religious atmosphere on corporate ESG performance, which is of great theoretical and practical significance. The findings of this paper show that religious culture, as a hidden constraint mechanism, has an important positive role in promoting corporate ESG performance and realizing high-quality development of the capital market, and can replace the imperfect formal system in emerging capital markets. This provides order assurance for shaping corporate ethics and value pursuit goals and realizing the normal operation of social economy. Therefore, this paper puts forward the following suggestions. First, the role of religion in the construction of ESG system should be fully utilized. At present, the development of ESG concept in China is in full swing, and religion's emphasis on long-term development and inhibition of self-interest fits with the long-term orientation of corporate ESG and its emphasis on stakeholders, so it is necessary to give full play to the advantages of religion to encourage enterprises to fulfill their ESG responsibilities, and provide theoretical guarantees to promote corporate ESG performance. Through the religious atmosphere to influence managers' behavioral decisions, further strengthen the corporate culture construction in the form of religious doctrines and regulations, so as to enhance the level of corporate ESG. Secondly, we should further enhance our cultural self-confidence, attach great importance to the inheritance and development of China's local religious culture, make the development of religion adapt to the development of China's political system, earnestly draw on the ideological essence of China's traditional religious culture, and seek

solutions to practical problems from religious culture. In addition, this paper provides some empirical evidence for company location selection. Companies can give due consideration to such cultural factors as religion when selecting locations to help shape a specific corporate culture, and can integrate corporate culture into management strategies to establish common behavioral norms for the enterprise, which in turn provides a framework of values for the employees of the enterprise and improves the level of business management. Finally, it is necessary to make a reasonable ESG development plan for the enterprise's own characteristics, such as inheritance within the enterprise, pay attention to the maintenance of the enterprise's social-emotional wealth, establish the enterprise's long-term decision-making orientation, and give full play to the role of religion, to meet the common interests of the enterprise itself and its stakeholders, and to realize the high-quality development of China's economy.

The limitation of this paper is that the results are not as significant as the other results when using Wind's ESG score data, probably due to the fact that there are some differences between different ESG ratings, and that there is still some disagreement among rating agencies in their assessment of firms' ESG performance, and that there is an urgent need for a formal system to harmonize ESG ratings.

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