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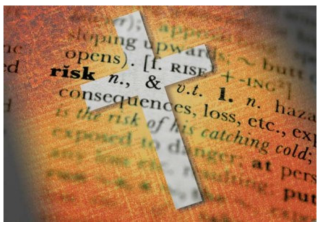
Picking Stocks? Count the Butts in Pews

A new study reveals that U.S. companies are less likely to accept financial risks when they are based in communities where religion is important.

- By: David Villano | March 7, 2010 | 05:00 AM (PDT)



Research shows U.S. companies are less likely to accept financial risks when they are based in communities where religiosity is high.

Looking to invest your IRA in companies that take few risks while promising steady, if slow, growth? Just count the churches around company headquarters.

That's the conclusion of two accounting professors in Hong Kong whose recent study reveals that publicly traded companies in the U.S. are less likely to take financial risks — but more likely to grow, albeit slowly — when churchgoing and other measures of religiosity are high within the community where top management is based.

Using data from the American Religion Data Archive, which collects things like church attendance, religious affiliation, and the number of registered churches, researchers assigned every U.S. county a numerical score to reflect the importance religion plays within the community. Predictably, counties within the Southern Bible Belt states generally scored highest for religiosity; New England counties tended to score lowest, but with plenty of exceptions.

While Hilary is reluctant to site examples of high-risk or low-risk companies (plenty of geographical anomalies exist), some anecdotal examples support his findings. Of the 12 publicly traded U.S. companies most recently named by the research firm Audit Integrity to its "watch list" of high-risk firms, based on their corporate governance practices and financial transparency, nine are headquartered in states that fall below the national average in Gallup's religiosity ranking.

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