

# Religious Freedom/ Values and Diversity of Japanese Foreign Direct Investment

By Kashef Majid & Paul Beamish

# Overview

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# Background

- Religion and economics have been intertwined as long as societies have existed
  - Foundation of society
  - Growth of nations/ religions
- Currently we see a conflict between religion and the collective good

# Foreign Direct Investment (FDI)

- “The cross border control of facilities through acquisition, lease, or new construction” – Deichmann (2004, pg. 12)
- Increases local economic prosperity through an inflow of capital and jobs

# Economic Openness

- It is in the best interests of a nation-state to create an environment that is open to FDI
- An indicator to the openness of a society is the amount of religious freedoms the population has

# Sample Selection

- Toyo Keizai database, information on thousands of public and private companies in Japan
  - Database listed the number of operations different Japanese firms had in various countries
  - Database also listed the industry each Japanese firm had operations in (300 different categories ranging from mining to textiles)
  - In total, 29 countries were used because of the comprehensiveness of information (21 were classified as being religiously free and 8 were classified as being religiously un-free)

# Hypothesis 1

- ***H1: The greater the freedom of religion is in a country the more diverse the foreign direct investment will be***
- Religious freedom is an indicator of openness within the society and investors would prefer to invest in an open society
- Diversity of FDI illustrates the popularity investment regardless of industry

# Hypothesis 2

- ***H2: Countries with religious freedom and strong religious values will have greater diversity in FDI than those countries which have religious freedom but weak religious values***
- This hypothesis extends the work of Barro and McCleary (2003) which argues that strong religious beliefs lead to increased economic growth

# Measures

## ■ For Religious Freedom

- Index of religious freedoms by Paul Marshall (2000), measures religious freedom based on such factors as: legislation to protect minority religions and religious hate crimes

## ■ For Religious Values

- Human Beliefs and Values survey conducted in all 29 countries, asked questions such as “do you believe in god?” & “do you attend church regularly?”

# Results – Hypothesis 1

- GDP and population of each individual country used as control variables

Groups	Means (diversity of FDI)	Significance
Religious Freedom	94.10	.007
No or Little Religious Freedom	31.88	

- Correlation between religious freedom and diversity of FDI = -0.397,  $p = 0.033$
- Hypothesis 1 supported
- Countries defined as religiously unfree: Egypt, Turkey, India, Nigeria, Pakistan, Bangladesh, Vietnam, & Iran

# Results – Hypothesis 2

- Hypothesis 2 not supported, religious values are not related to diversity of FDI
  - 90.14 mean score for countries with strong religious values vs. 98.40 for countries with weak religious values

# Discussion & Future Research

- Based on our findings, religious freedom does have a relationship with the diversity of foreign direct investment in a country and may act as an indicator of societal openness
- 6 / 8 countries classified as religiously unfree are predominantly Muslim
  - Consumer ethnocentrism
  - Consumption restrictions, i.e. restrictions on lending and interest
  - Hostility towards outside influences
- Possibilities of future research: religious ethnocentrism, perceptions of country in times of conflict

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# Thank You For Your Time!

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## Questions/ Comments?