

# THE IMPACT OF RELIGIOSITY ON CORPORATE DEBT STRUCTURE

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**Abstract** - This study examines the impact of religious beliefs on corporate debt structure using a regression model applied to a dataset comprising 485 firms across 10 countries over the period 2009–2022. The results indicate that, while firms operating in countries with higher levels of religiosity tend to rely more on long-term debt, religious beliefs do not have a significant effect on firms' short-term debt decisions. In addition, we show that the positive effect of religiosity on long-term debt is less pronounced for firms with higher ratio of institutional ownership and more pronounced in countries with better control for the corruption. Our main findings remain robust when alternative measures of the dependent variable and alternative model specifications are employed. This study contributes to the literature on the relationship between religiosity and corporate debt structure, while also providing practical implications for other stakeholders.

**Key words** - Religion; Corporate debt structure; Institutional ownership; Control of corruption

## 1. Introduction

In recent decades, the global economy has experienced significant volatility, accompanied by a growing incidence of corporate bankruptcies and financial distress. This trend raises critical questions regarding the role and effectiveness of formal institutions, such as traditional corporate governance systems or government regulatory mechanisms [1]. Consequently, scholars and policymakers have begun to investigate and evaluate the influence of informal institutions, such as culturally and socially embedded factors on corporate performance. Among them, religious belief has emerged as a crucial element, potentially shaping the behavior, attitudes, and financial decisions of economic agents [2].

Religious belief is a deeply rooted cultural factor that impacts human economic behavior, including financial decisions and corporate governance [3]. Meanwhile, firm's debt structure, the ratio between short-term debt, long-term debt, and total asset, reflects its risk appetite, financial strategy, and creditworthiness. Therefore, when religion influences the values, beliefs, and behaviors of managers, it consequently affects how a firm selects and manages its debt.

First, religious belief influences the level of risk aversion among managers. Religions often encourage a lifestyle characterized by temperance, honesty, and prudence, which in turn fosters a conservative management style and limits excessive risk-taking [4]. Consequently, firms operating within highly religious environments typically curtail the utilization of financial leverage or prioritize short-term debt to facilitate easier control and

mitigate the burden of long-term interest expenses [5]. Conversely, in certain contexts, religion can also reinforce trust and social cohesion, thereby emboldening businesses to secure financing for the expansion of their production and operations, a process supported by the confidence garnered from partners and the community [6].

Furthermore, religion fosters ethics and responsibility in financial management. Principles such as "honesty", "keeping commitments", and "non-deception" are highly emphasized across most religions, which assists firms in cultivating a credible image with credit institutions. When managers possess a strong religious foundation, they tend to adhere to financial covenants, thereby mitigating moral hazard and information asymmetry in lending relationships. This, in turn, facilitates easier access to capital for businesses at a lower cost, while also providing a basis for selecting a more optimal debt structure.

Prior studies have suggested the significance of religious beliefs in shaping firms' appropriate use of debt structure. Consequently, this research focuses on the impact of religious beliefs on corporate debt structure in Asia countries. The primary objective is to provide empirical evidence regarding the impact of religion on the maturity structure of debt within the context of selected Asian countries. This, in turn, will offer practical implications to assist firms, investors, and policymakers in making effective management decisions, enhancing corporate value, optimizing investment returns, and contributing to the sustainable development of society.

## 2. Literature review and Hypothesis development

Religion connects individuals to the sacred while simultaneously embedding them within faith-based communities through shared values and beliefs, thereby fostering compassion, responsibility, and social cohesion. As a spiritual resource, religion provides meaning, resilience, and moral guidance, helping individuals cope with uncertainty and adversity [7, 8].

From an economic perspective, religion influences development indirectly by shaping attitudes toward work, accountability, and ethical behavior. Prior research shows that religious values such as honesty, self-discipline, thrift, and social responsibility constrain opportunistic behavior and promote a long-term orientation, contributing to a stable and sustainable business environment [9]. At the firm level, stronger religiosity encourages managers to internalize moral costs, thereby mitigating agency problems and moral hazard [10]. This ethical orientation

enhances trust and reduces information asymmetry between firms and creditors, facilitating access to long-term debt with more favorable terms.

In addition, religiosity may influence firms' preference for long-term debt by shaping managerial time horizons and strengthening informal enforcement mechanisms. Religious norms emphasize patience, self-discipline, and long-term responsibility, encouraging managers to adopt longer investment horizons that are better aligned with long-maturity debt contracts [9]. Moreover, religiosity imposes social and reputational costs on unethical behavior, which complements formal debt contracts and reduces lenders' concerns about strategic default over longer horizons [10]. As a result, creditors are more willing to extend long-term financing to firms operating in more religious environments. Therefore, we propose the following hypothesis:

*Hypothesis H1a:* Firms operating in regions with high religious belief utilize more long-term debt compared to firms operating in regions with low religious belief.

While the religiosity may significantly shape decisions regarding long-term debt by fostering trust and ethical behavior, their influence on short-term debt is expected to be limited. Short-term debt primarily serves as a flexible instrument to finance working capital requirements, such as managing inventory, covering operating expenses, or meeting short-term payables, and is strongly driven by immediate liquidity needs rather than socio-cultural factors [11, 12]. Empirical studies find that short-term debt is strongly associated with firm size, liquidity risk, and asset maturity structure, and functions as a monitoring device that mitigates agency concerns due to its frequent rollover and close lender oversight [9]. In such settings, lenders continuously monitor borrowers, reducing moral hazard and information asymmetry over short horizons, which in turn diminishes the role that ethical norms or religiously anchored reputation can play in shaping short-term borrowing decisions. Based on these theoretical and empirical considerations, this study tests the following hypothesis:

*Hypothesis H1b:* Religious belief does not significantly influence a firm's decision regarding the utilization of short-term debt.

### 3. Data and Methodology

#### 3.1. Data and sample

The dataset for this empirical investigation was assembled from multiple sources spanning the period from 2009 to 2022. Consistent with the methodology proposed by Chen et al. [14], the key measure of religious belief was drawn from the World Values Survey (WVS) database. Corporate-level financial and accounting data were sourced from Thomson Reuters Worldscope, accessible through the Datastream platform. To minimize the undue influence of extreme values (outliers) and enhance the robustness and reliability of the econometric results, all continuous variables underwent winsorization at the 1<sup>st</sup> and 99<sup>th</sup> percentiles. Following this comprehensive data processing and matching procedure, the final research sample encompasses a balanced panel of 3,570 firm-year

observations derived from 485 unique listed companies across 10 key Asian economies including Australia, China, Hong Kong, Indonesia, Japan, Malaysia, Philippines, Singapore, South Korea, and Thailand during the 2009–2022 period.

#### 3.2. Methodology

The influence of religious belief on the corporate debt structure is estimated using the following panel data regression model:

$$DebtStruc_{i,j,t} = \beta_0 + \beta_1 \text{religiosity}_{j,t} + \text{Controls}_{i,j,t} + u_{i,j,t} \quad (1)$$

where  $DebtStruc_{i,j,t}$  is alternative measured by long-term debt ratio (long-term debt to total assets ( $lda$ ) and long-term debt to market value of assets ( $ldma$ )) and short-term debt ratio (short-term debt to total assets ( $sda$ ) and short-term debt to market value of assets ( $sdma$ )). Long-term debt refers to all liabilities with an original maturity exceeding one year while short-term debt refers to all liabilities with an original maturity within one year.  $religiosity_{j,t}$  is religious belief index for country  $j$ , measured by constructing the first principal component of three constitutive dimensions, namely *affiliation*, measured by the proportion of respondents reporting membership in a specific religion; *importance*, measured by the proportion of respondents who believe that religion is extremely important to them; and *participation*, measured by the proportion of respondents who regularly engage in religious activities. To effectively control for factors that may influence corporate debt structure, the econometric model incorporates a set of firm-level and macroeconomic control variables ( $Controls_{i,j,t}$ ) including *size* (the natural logarithm of the firm's total assets), *profitability* (earnings before interest, taxes, depreciation, and amortization (EBITDA) divided by the book value of total assets), *tangible* (ratio of net property, plant, and equipment to the book value of total assets), *liquidity* (current assets divided by current liabilities), *tobinq* (calculated as (market value of equity+book value of debt)/book value of total assets), *gdpgrowth* (the annual gross domestic product (GDP) growth rate), and *inflation* (the annual inflation rate). These control variables have been widely adopted in prior studies [10, 15, 16]. To examine the hypothesized relationship, this study employs the Fixed Effects (FE) model for the estimation of the main results. The Hausman test provides strong evidence in favor of the FE specification over the Random Effects (RE) model. The statistically significant p-value ( $p < 0.05$ ) suggests that unobserved firm-specific effects are correlated with the explanatory variables, thereby justifying the use of the FE estimator.

### 4. Empirical results

#### 4.1. Descriptive statistics

The descriptive statistics for the variables employed in the empirical model (as presented in Table 1) reveal several noteworthy features of the research sample. Firstly, the corporate debt structure of the firms appears to be modest, evidenced by the relatively low mean values observed for the long-term debt proxies ( $lda$  and  $ldma$ ) and the short-

term debt proxies (*sda* and *sdma*). This suggests a degree of relative stability and conservative leverage across the sampled firms. Secondly, the key independent variable, religious belief (*religiosity*), demonstrates significant cross-country heterogeneity, reflected in its negative mean value (-1.476) and a substantial standard deviation (1.135). Regarding the control variables, firm size (*size*) is generally homogeneous across the sample, while liquidity (*liq*) exhibits considerable inter-firm volatility (standard deviation of 1.375). Furthermore, tobin's Q (*tobinq*) shows a relatively wide dispersion. For the macroeconomic factors, *gdpgrowth* is maintained at a stable mean level (0.020), whereas the high mean (0.863) and large standard deviation (1.409) of inflation (*infl*) signal significant macroeconomic volatility over the study period.

**Table 1.** Descriptive statistics

Variable	Obs.	Mean	Std.dev	Min	Max
lda	3,570	0.128	0.113	0	0.702
ldma	3,568	0.113	0.106	0	0.615
sda	3,570	0.090	0.077	0	0.357
sdma	3,568	0.079	0.077	0	0.690
religiosity	3,570	-1.476	1.135	-4.828	2.635
size	3,570	15.912	1.176	11.787	19.841
prof	3,570	0.105	0.084	-2.224	0.870
tang	3,570	0.309	0.165	0.004	0.949
liq	3,570	1.878	1.375	0.034	23.502
tobinq	3,458	18.480	2.603	7.042	25.020
gdpgrowth	3,570	0.020	0.029	-0.054	0.145
infl	3,570	0.863	1.409	-1.353	5.925

**Table 2.** Correlation coefficients

	lda	ldma	sda	sdma	religiosity	size	prof	tang	liq	tobinq	gdpgrowth
lda	1										
ldma	0.948*	1									
sda	0.314*	0.327*	1								
sdma	0.338*	0.415*	0.932*	1							
religiosity	0.066*	0.072*	-0.036*	0.008	1						
size	0.369*	0.420*	0.150*	0.214*	-0.109*	1					
prof	-0.199*	-0.261*	-0.235*	-0.317*	0.042*	-0.131*	1				
tang	0.447*	0.453*	0.211*	0.231*	0.043*	0.136*	0.021	1			
liq	-0.370*	-0.368*	-0.466*	-0.446*	0.015	-0.321*	0.174*	-0.308*	1		
tobinq	0.204*	0.254*	0.183*	0.232*	0.217*	0.377*	-0.061*	0.073*	-0.131*	1	
gdpgrowth	0.008	-0.052*	0.102*	0.029	-0.145*	0.005	0.041	0.034	-0.041*	0.065*	1
infl	-0.056*	-0.080*	0.076*	0.042*	0.052*	-0.045*	0.065*	0.035*	-0.032	0.118*	0.510*

\* at the 5% level of statistical significance

The correlation matrix of the variables in the regression model (provided in Table 2) was examined to assess the potential for multicollinearity. While the correlation coefficients among the various debt structure measures are predictably high, the correlation coefficients between all other explanatory variables are below the conventional threshold of 0.6. This critical finding strongly suggests that the phenomenon of multicollinearity among the independent variables in the final econometric model is not a material concern, which enhances the reliability and unbiasedness of the estimated regression coefficients.

#### 4.2. Regression results

Table 3 presents the baseline regression results examining the relationship between the religiosity and various measures of corporate financial leverage structure. The findings reveal a clear, differentiated impact of religiosity on the debt structure. Specifically, the coefficient for religiosity is positive and highly statistically significant (at the 1% level) for both long-term debt proxies (*lda*, *ldma*). Conversely, the coefficient for religiosity is statistically insignificant for the short-term debt proxies (*sda*, *sdma*). This indicates that a higher degree of religious adherence tends to increase a firm's utilization of long-term debt, but it does not exert a noticeable effect on short-term debt financing. This result aligns with the argument that firms operating in regions with strong religious belief tend to utilize more long-term debt, as religious values foster greater interpersonal trust and mitigate agency costs [17]. Overall, the findings strongly affirm the positive influence of the religious factor on the long-term debt

structure and its lack of significance concerning short-term debt. These conclusions are entirely consistent with hypotheses H1a and H1b of this study.

**Table 3.** Baseline results

Variables	Long-term		Short-term	
	lda	ldma	sda	sdma
religiosity	0.012*** (0.003)	0.011*** (0.003)	0.004 (0.003)	0.001 (0.003)
size	0.001 (0.008)	0.029*** (0.007)	-0.012** (0.006)	0.004 (0.005)
prof	-0.217*** (0.034)	-0.300*** (0.042)	-0.128*** (0.036)	-0.219*** (0.051)
tang	0.105*** (0.037)	0.177*** (0.040)	0.001 (0.026)	0.068* (0.037)
liq	0.024*** (0.004)	0.023*** (0.004)	-0.030*** (0.004)	-0.025*** (0.003)
tobinq	0.036*** (0.004)	0.026*** (0.003)	0.011*** (0.002)	0.007*** (0.002)
gdpgrowth	0.056* (0.033)	-0.122*** (0.033)	-0.167*** (0.032)	-0.281*** (0.037)
infl	-0.002** (0.001)	-0.001 (0.001)	-0.001** (0.001)	-0.001 (0.001)
Constant	-0.578*** (0.114)	-0.876*** (0.110)	0.158* (0.081)	-0.066 (0.078)
Observations	3,458	3,456	3,458	3,456
R-squared	0.333	0.357	0.258	0.253
Number of id	485	485	485	485

The standard errors are presented in parentheses. \*, \*\*, \*\*\* denote the statistical significance as 10%, 5%, and 1%.

### 4.3. Robustness checks

Table 4 displays the results of a key robustness check, where the relationship between religious belief and corporate debt structure is re-examined using the percentage value of religiosity as an alternative independent variable. The findings from this robustness analysis decisively demonstrate that Religiosity retains a positive and highly statistically significant impact (at the 1% level) on the long-term debt proxies (*lda*, *ldma*). Crucially, it continues to show no statistically significant influence on short-term debt (*sda*, *sdma*). This outcome unequivocally confirms the stability and consistency of the fundamental relationship established in the main model. Overall, these robustness results affirm that the research model is stable and reliable, simultaneously strengthening the evidence that the religious factor plays a positive and sustained role in enhancing firms' long-term leverage capacity.

**Table 4.** Using alternative measure of religiosity

Variables	Long-term		Short-term	
	lda	ldma	sda	sdma
religiosity	0.013*** (0.004)	0.012*** (0.004)	0.002 (0.004)	-0.001 (0.004)
size	0.001 (0.008)	0.029*** (0.007)	-0.012** (0.006)	0.004 (0.005)
prof	-0.218*** (0.034)	-0.300*** (0.042)	-0.128*** (0.036)	-0.219*** (0.051)
tang	0.108*** (0.037)	0.179*** (0.040)	0.002 (0.026)	0.069* (0.037)
liq	0.024*** (0.004)	0.022*** (0.004)	-0.030*** (0.004)	-0.025*** (0.003)
tobinq	0.036*** (0.004)	0.026*** (0.003)	0.011*** (0.002)	0.007*** (0.002)
gdpgrowth	0.053 (0.034)	-0.125*** (0.033)	-0.168*** (0.032)	-0.281*** (0.037)
infl	-0.002** (0.001)	-0.001* (0.001)	-0.002** (0.001)	-0.001 (0.001)
Constant	-0.574*** (0.114)	-0.872*** (0.110)	0.160** (0.081)	-0.064 (0.078)
Observations	3,458	3,456	3,458	3,456
R-squared	0.332	0.355	0.258	0.253
Number of id	485	485	485	485

The standard errors are presented in parentheses. \*, \*\*, \*\*\* denote the statistical significance as 10%, 5%, and 1%.

To address potential endogeneity issues, the study employed the Generalized Method of Moments (GMM) estimation technique. The potential endogeneity in this context primarily stems from omitted variable bias, where unobserved country-level characteristics (such as institutional quality or the legal enforcement system) may be correlated with both the Religious Belief Index and the corporate long-term debt decision. The results, presented in Table 5, further validate the core findings of the main model. Specifically, the Religiosity variable continues to exhibit a positive and statistically significant coefficient at the 5% level with respect to long-term debt, particularly for the proxy *ldma*. This robust result is consistent with and reinforces the finding from the primary fixed effects model. It demonstrates that the tendency for a higher degree of

religious belief to increase a firm's utilization of long-term debt remains stable, even when controlling for potential biases arising from the endogenous relationship between the dependent and explanatory variables. This strengthens the conclusion that the religious factor plays a persistent and autonomous role in shaping the long-term capital structure.

**Table 5.** Employing GMM method

Variables	(1)	(2)	(3)	(4)
	lda	ldma	sda	sdma
religiosity	0.002 (0.005)	0.011** (0.005)	0.002 (0.003)	0.005 (0.003)
size	0.007 (0.015)	0.034** (0.014)	0.028*** (0.010)	0.047*** (0.010)
prof	-0.180*** (0.043)	-0.191*** (0.045)	-0.076 (0.067)	-0.122* (0.068)
tang	0.206** (0.089)	0.301*** (0.087)	-0.052 (0.058)	0.014 (0.053)
liq	0.033*** (0.011)	0.032*** (0.008)	-0.048*** (0.009)	-0.042*** (0.008)
tobinq	0.024*** (0.007)	0.019*** (0.005)	0.009* (0.005)	0.004 (0.004)
gdpgrowth	-0.158* (0.088)	-0.251** (0.101)	-0.189*** (0.062)	-0.317*** (0.073)
infl	-0.002 (0.001)	-0.002 (0.001)	-0.003*** (0.001)	-0.003*** (0.001)
Constant	-0.607** (0.293)	-0.935*** (0.243)	-0.477*** (0.181)	-0.703*** (0.174)
Observations	1,288	1,288	1,288	1,288
Number of id	251	251	251	251

The standard errors are presented in parentheses. \*, \*\*, \*\*\* denote the statistical significance as 10%, 5%, and 1%.

**Table 6.** Employing alternative sample

Variables	Long-term		Short-term	
	lda	ldma	sda	sdma
religiosity	0.010*** (0.003)	0.008** (0.004)	-0.006 (0.004)	-0.009** (0.004)
size	-0.025* (0.014)	0.005 (0.012)	-0.034*** (0.012)	-0.015 (0.009)
prof	-0.149*** (0.047)	-0.205*** (0.063)	-0.082 (0.052)	-0.206** (0.088)
tang	0.095* (0.057)	0.099 (0.062)	0.086 (0.092)	0.096 (0.070)
liq	0.033*** (0.006)	0.027*** (0.007)	-0.035*** (0.008)	-0.027*** (0.008)
tobinq	0.048*** (0.008)	0.036*** (0.007)	0.024*** (0.005)	0.016*** (0.005)
gdpgrowth	0.127 (0.102)	-0.149 (0.095)	-0.147 (0.111)	-0.241* (0.124)
infl	0.002 (0.002)	0.003* (0.002)	-0.002 (0.002)	-0.000 (0.002)
Constant	-0.426** (0.170)	-0.687*** (0.156)	0.252* (0.148)	0.067 (0.135)
Observations	1,049	1,047	1,049	1,047
R-squared	0.291	0.287	0.276	0.260
Number of id	261	261	261	261

The standard errors are presented in parentheses. \*, \*\*, \*\*\* denote the statistical significance as 10%, 5%, and 1%.

To address the concern that the main findings might be driven by the disproportionately high representation of Japanese firms in the sample, a supplementary robustness test was conducted. This involved re-estimating the regression model using a subsample that excludes all Japanese companies. The analytical results, presented in Table 6, confirm the stability and validity of the core findings. Specifically, religiosity variable remains highly statistically significant for long-term debt (*lda*, *ldma*), demonstrating consistency across both samples (the full sample and the non-Japanese subsample). Conversely, the impact of religious belief on short-term debt (*sda*, *sdma*) continues to be inconclusive or weak, indicated by the inconsistent significance levels observed between the two samples. This evidence strongly validates that the positive and significant relationship between religious belief and the use of long-term debt is not solely attributable to the characteristics of the Japanese firms, reinforcing the generalizability of the conclusion across the Asian context.

#### 4.4. The moderating role of institutional ownership

Institutional ownership is recognized as a critical monitoring mechanism in corporate governance [18], instrumental in curtailing excessive risk-taking behavior by the executive management. Although religious belief can potentially foster the increased use of long-term debt by bolstering corporate credibility, cultivating community trust, and expanding access to stable, low-cost financing, the involvement of institutional investors tends to shape financial strategies toward greater prudence.

With their superior analytical resources, enhanced access to information, and primary objective of optimizing shareholder value, institutional investors typically prioritize flexible capital structures to minimize market risk. Consequently, they tend to limit the expansion of long-term debt, a type of financing characterized by high commitment constraints and inherent vulnerability to economic fluctuations, to maintain the agility required for financial strategy adjustments.

The intense scrutiny provided by these institutional investors may attenuate the mechanism through which religious belief influences the expansion of long-term debt. Stated differently, as the level of institutional ownership increases, the promotional effect of religious belief on long-term debt utilization will diminish due to monitoring pressure and a heightened focus on conservative governance.

Therefore, this study anticipates that institutional ownership will weaken the positive relationship between religious belief and a firm's long-term debt structure.

To formally examine the hypothesized moderating role, we augmented the baseline model (Model 1) by adding the Institutional Ownership (*io*) variable (measured as the ratio of total shares held by institutional investors to total shares outstanding [13]) and an interaction term between *religiosity* and *io*. The results, presented in Table 7, offer several crucial insights. Consistent with our main findings, the religiosity variable continues to exhibit a positive and statistically significant impact (at the 1% level) on both measures of long-term leverage (*lda*, *ldma*). This

reinforces the notion that religious belief facilitates access to long-term capital.

**Table 7.** The moderating role of institutional ownership

Variables	(1)	(2)
	<i>lda</i>	<i>ldma</i>
religiosity	0.016*** (0.004)	0.013*** (0.004)
<i>io</i>	-0.257*** (0.051)	-0.238*** (0.054)
religiosity* <i>io</i>	-0.059*** (0.017)	-0.041* (0.022)
size	0.003 (0.008)	0.030*** (0.007)
prof	-0.223*** (0.033)	-0.309*** (0.040)
tang	0.086** (0.037)	0.156*** (0.040)
liq	0.026*** (0.004)	0.024*** (0.004)
tobinq	0.036*** (0.004)	0.026*** (0.003)
gdpgrowth	0.082** (0.032)	-0.088*** (0.031)
infl	-0.001 (0.001)	-0.001 (0.001)
Constant	-0.572*** (0.112)	-0.856*** (0.106)
Observations	3,416	3,415
R-squared	0.352	0.379
Number of id	479	479

The standard errors are presented in parentheses. \*, \*\*, \*\*\* denote the statistical significance as 10%, 5%, and 1%.

Furthermore, the *io* variable itself has a negative and highly significant influence, implying that firms with a higher proportion of institutional ownership tend to adopt a more cautious approach to borrowing.

Most notably, the interaction term *religiosity\*io* yields a negative and statistically significant coefficient (at the 1% and 10% levels, respectively). This is the key finding demonstrating that as the level of institutional ownership increases, the promotional effect of religious belief on the utilization of long-term debt gradually diminishes. This result is highly consistent with our expectation that the intense monitoring and conservative financial strategy preferred by institutional investors attenuate the trust-building mechanism established by religious belief, thereby weakening its influence on long-term debt decisions.

#### 4.5. The moderating role of control of corruption

Within the context of financial institutions, the degree of control of corruption (*controlcorrupt*) is paramount, as it reflects the quality of national governance and the transparency of the legal system [20]. Corruption is considered a significant institutional barrier that substantially influences firms' cost of capital and their ability to access financing [21]. A business environment characterized by high control of corruption helps mitigate transaction risks, information asymmetry, and borrowing costs, while simultaneously enhancing the transparency and stability of the financial market.

In this setting, religious belief emerges as a crucial supplementary mechanism that fortifies the firm's credibility, ethics, and trustworthiness in the eyes of credit institutions and investors. Consequently, firms operating within a strong religious environment may garner a higher degree of creditworthiness from lenders. Religious belief helps managers and firms establish reliable, honest, and prudent social networks, thereby reducing moral hazard and increasing access to long-term loans.

In a context where corruption is effectively controlled, firms can capitalize on the reputation afforded by religious belief to fully utilize long-term borrowing opportunities while ensuring financial prudence and institutional compliance. Therefore, the authors anticipate that a higher degree of *controlcorrupt* will amplify the influence of religious belief on the utilization of long-term debt.

To empirically test the argument regarding the institutional environment, the authors augmented the baseline model (Model 1) by including the Control of Corruption (*controlcorrupt*, measured as Index of Public Integrity [16]) and the interaction term between religiosity and control corruption.

**Table 8.** The moderating role of control of corruption

Variables	(1) lda	(2) ldma
religiosity	0.006* (0.004)	0.005** (0.004)
controlcorrupt	0.023* (0.013)	0.042*** (0.012)
religiosity*controlcorrupt	0.007* (0.004)	0.007** (0.004)
size	-0.002 (0.009)	0.022*** (0.007)
prof	-0.213*** (0.034)	-0.290*** (0.041)
tang	0.104*** (0.036)	0.178*** (0.039)
liq	0.024*** (0.004)	0.021*** (0.004)
tobinq	0.036*** (0.004)	0.026*** (0.003)
gdpgrowth	0.048 (0.035)	-0.147*** (0.033)
infl	-0.003*** (0.001)	-0.003*** (0.001)
Constant	-0.555*** (0.120)	-0.801*** (0.109)
Observations	3,458	3,456
R-squared	0.335	0.363
Number of id	485	485

The standard errors are presented in parentheses. \*, \*\*, \*\*\* denote the statistical significance as 10%, 5%, and 1%.

The regression results presented in Table 8 assess the moderating effect of *controlcorrupt* on the relationship between religiosity and long-term debt. The findings show that both *religiosity* và *controlcorrupt* individually exhibit

positive and statistically significant coefficients. Crucially, the interaction term *religiosity\*controlcorrupt* also yields a positive and statistically significant coefficient (at the 10% và 5% level, respectively) This significant positive interaction effect indicates that effective control of corruption amplifies the influence of religion on a firm's long-term borrowing capacity. In environments where institutional quality is high (low corruption), the intrinsic trust and ethical behavior fostered by religious belief become more potent, allowing firms to leverage this social capital to secure long-term debt more easily. This result strongly supports our expectation that favorable institutional settings enhance the beneficial impact of socio-cultural factors on corporate financing decisions.

## 5. Conclusion

This study investigates the relationship between religious belief and corporate debt structure, utilizing a sample of 485 companies across 10 Asian countries spanning the period from 2009 to 2022. The empirical results yield several significant findings. Firstly, companies operating in regions with a higher degree of religious belief demonstrate a strong propensity to utilize more long-term debt compared to firms in less religious areas. Conversely, religious belief is found to have no statistically significant effect on the firm's decision regarding the utilization of short-term debt.

The research further identifies crucial contingent relationships. The positive association between religious belief and long-term debt utilization is attenuated in firms characterized by a higher ratio of institutional ownership, suggesting that professional institutional monitoring weakens the socio-cultural influence. However, this positive relationship is amplified in firms operating in countries with a higher level of Control of Corruption, implying that strong institutional quality enhances the beneficial impact of religious trust.

This research enriches the existing literature on religious belief and corporate debt structure, particularly focusing on the impact on debt maturity structure within the Asian context. The findings support the view that religious belief encourages firms to adopt more ethical, reliable, and trustworthy behaviors, leading to less exploitation of stakeholders for personal gain. The study offers valuable insights into the dynamics of religious belief and corporate debt structure in Asia. Consequently, the findings offer important implications for multiple stakeholders. Firms can leverage ethical values associated with religious beliefs to strengthen credibility, improve financing terms, and achieve a more sustainable debt maturity structure. For banks and other credit institutions, religious belief may serve as an informal governance mechanism that helps mitigate moral hazard and credit risk. From a policy perspective, recognizing the role of cultural and ethical factors can support the design of institutional frameworks that promote responsible corporate behavior and long-term economic development.

Although this study makes several valuable contributions, it is subject to certain limitations. First, the

sample is primarily drawn from ten Asian countries, which may limit the generalizability of the findings to other national and institutional contexts. Second, the measurement of religiosity is conducted at the country level. Building on these limitations, future studies may extend the dataset to include a wider range of countries to test the stability and external validity of the results. Additionally, incorporating micro-level data, such as managers' individual religious beliefs and ethical orientations, would allow for a more direct examination of the mechanisms through which religiosity affects firms' financing decisions.

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