ISSN No: 2349-059X
Peer Reviewed & Refereed Journal
National Research Journal

THE ROLE OF CULTURE IN FINANCIAL INVESTMENTS: A CULTURAL ADMINISTRATION GEOGRAPHICAL ECONOMICS (CAGE) FRAMEWORK ANALYSIS OF BRICS NATIONS

[1]Arya Tondwalkar

[1]Research Scholar Maratha Mandir's Babasaheb Gawde Institute of Management Studies, Mumbai Central

[2]Vidya Hattangadi

[2]Director, Maratha Mandir's Babasaheb Gawade Institute of Management Studies, Mumbai

ABSTRACT:

When it comes to financial investment, culture is crucial since it affects market dynamics, investor behaviour, and cross-border capital flows. The CAGE Framework, which stands for Cultural, Administrative, Geographic, and Economic distances, offers a methodical way to comprehend these impacts. Investment preferences are influenced by cultural distance in terms of risk tolerance, trust, corporate governance, and ethical considerations. Legal and regulatory disparities as well as administrative distance have an impact on market access and investor confidence. Digital innovations have lessened the impact of geographic distance on market accessibility and investment viability. The economic distance between nations affects capital allocation, taking into account factors like income levels and financial market maturity. Investors can successfully traverse global markets and reduce the risks associated with cross-border investments by incorporating cultural knowledge into financial strategy. Do cultural variables have an impact on people's decisions to invest in new businesses? In that case, do cultural considerations affect which new projects they fund? People make decisions about their finances based on the cultural norms of their society. We speculate that a person's culture affects whether or not they invest in new projects because different nations have different cultural aspects. We further speculate that the culture of individuals who do invest affects whether they fund a family business or a nonfamily business. The findings mostly corroborate our theories and demonstrate how many cultural factors affect whether a person invests in their own business or in the business of a family member or someone else. These findings may help to explain the variations in new venture funding and new business startup rates among countries, as family members are among the best sources of funding for entrepreneurs when they are first establishing a business.

Key Words: Culture, Financial Investment, CAGE Framework, Risk Tolerance, Cross-Border Investment, Corporate Governance, Economic Distance, Investor Behavior, International Finance, Market Dynamics.

The Role of Culture in Financial Investments: A Cultural Administration Geographical Economics (CAGE)Framework Analysis of BRICS Nations.

By influencing investor behavior, risk tolerance, legal frameworks, and corporate governance structures, culture has a big influence on financial investments. Using the Cultural Administration Geographical Economics (CAGE) framework, this study investigates how culture affects financial investments in the BRICS countries (Brazil, Russia, India, China, and South Africa). This study illustrates how cultural influences impact market stability, investment trends, and financial decision-making through case studies from each country. According to the study, investing patterns are significantly influenced by cultural factors such as trust, collectivism, and regulatory attitudes. Policy proposals are made in the paper's conclusion to balance financial growth tactics with cultural diversity.

Introduction Financial investment decisions are not solely dictated by economic indicators but are also deeply influenced by cultural factors. The CAGE framework, developed to understand cross- national differences, provides a comprehensive lens for analyzing the interplay between culture and investment. This paper explores how cultural attributes affect investment behaviors in BRICS nations, examining trust in financial institutions, regulatory practices, investor confidence, and market participation. By understanding these cultural nuances, policymakers and investors can make more informed decisions and foster sustainable economic growth.

Research Question How does culture influence financial investments in BRICS nations within the

CULTURAL ADMINISTRATION GEOGRAPHICAL ECONOMICS (CAGE) FRAMEWORK?

Objectives

1. To analyze the cultural determinants affecting financial investments in BRICS nations.
2. To examine the impact of cultural attitudes on regulatory and investment behaviors.
3. To assess case studies from each BRICS nation demonstrating cultural influences on financial investments.
4. To provide recommendations for aligning cultural factors with financial investment strategies.
5. To examine how cultural distance affects choices about financial investments.
6. To investigate how economic, regional, and administrative issues influence investment strategies.
7. To shed light on the ways that cultural sensitivity might enhance the success of international investments.

CASE NARRATION FROM BRICS NATIONS

Brazil: The Role of Relationship-Based Business Culture

Relationship-Based Business Culture's Function, Personal connections and unofficial networks are fundamental to Brazilian investment culture(Horak et al., 2024). In Brazil, informal networks and personal connections are crucial in determining financial investment practices. The importance of interpersonal relationships in business transactions is highlighted by the cultural idea of j*eitinho*, which refers to coming up with innovative solutions within formalities. This cultural characteristic highlights the use of unofficial networks to handle intricate regulatory frameworks and make financial transactions easier (Horak et al., 2020). reputation and trust in family businesses, emphasizing how investment preferences and stakeholder relationships are influenced by trust. The writers talk on the value of trust in building enduring bonds and how it affects family-owned businesses' financial choices (Chaudhary et al., 2021). Brazil's legal and regulatory frameworks pertaining to foreign direct investment (FDI) are thoroughly examined in this paper. It emphasizes that major regulatory complications and bureaucratic roadblocks still exist despite efforts to expedite procedures, which presents difficulties for overseas investors. In

ISSN No: 2349-059X
Peer Reviewed & Refereed Journal
National Research Journal

order to improve Brazil's investment climate, the report emphasizes the necessity of continuous reforms (KherPriyankaKusekPeterEltgenMaximilian, 2021).

In order to improve the investment climate in Brazil, the Ministry of Economy is principally in charge of handling bureaucratic roadblocks and regulatory complexity. The Brazilian government has put in place a number of measures since 2020 with the goal of drawing in foreign capital and creating an atmosphere that is more conducive to economic expansion:

1. The Law on Economic Freedom (Lei da Liberdade Econômica): Enacted in 2019, this law seeks to streamline laws, encourage free enterprise, and cut down on bureaucracy. It was further operationalized through further decrees. It brought about the lessening of state intrusion, the creation of a "regulatory impact analysis" to evaluate the impacts of new regulations, and the presumption of freedom to engage in economic activity (OECD, 2022) Regulatory reform in Brazil. In *OECD Reviews of Regulatory Reform*. OECD Publishing.

   https://www.oecd.org/content/dam/oecd/en/publications/reports/2022/06/regulatory-reform-in-brazil_da75f3f8/d81c15d7-en.pdf#page16

2. The law governing regulatory agencies, or Lei das Agências Reguladoras: In order to improve investor confidence, this law aims to establish a more stable and predictable regulatory environment by increasing the autonomy, transparency, and efficiency of regulatory bodies.

3. New Foreign Exchange Regulatory Framework: This framework, which was approved in December 2021 and is implemented in December 2022, unifies and streamlines more than 40 distinct regulations into a single legislation. By encouraging more foreign investment and helping Brazilian companies integrate into the global value chain, it seeks to facilitate international investments in the Brazilian market (*Brazil - United States Department of State*, 2025)

   Brazil - United States Department of State. (2025, January 4). United States Department of State. https://www.state.gov/reports/2022-investment-climate-statements/brazil/

4. The largest power company in Latin America, Eletrobras, was effectively privatized by the government in June 2022 by issuing new shares to reduce the government's controlling holding and turn the business into a corporation. This action is a component of a larger plan to draw in private investment and lessen government intervention in the economy (*Brazil - United States Department of State*, 2025)

   Brazil - United States Department of State. (2025, January 4). United States Department of State. https://www.state.gov/reports/2024-investment-climate-statements/brazil/

These programs demonstrate Brazil's resolve to overcome regulatory and bureaucratic obstacles in order to improve the investment climate

RUSSIA: THE INFLUENCE OF STATE CONTROL AND POLITICAL CULTURE

Russia’s investment environment is shaped by its centralized governance and historical legacy of state intervention. Investors often navigate a landscape of political influence, oligarchic control, and regulatory unpredictability.

Cultural skepticism toward foreign investment has led to government-backed financial initiatives that prioritize national interests over market liberalization Through regulatory oversight and state-owned enterprises (SOEs), the Russian government continues to exert significant control over important industries. Strategic industries like energy, defense, and telecommunications are kept under government power thanks to this supervision. Because regulations change in reaction to governmental agendas, economic sanctions, or geopolitical concerns, investors must deal with regulatory uncertainty.

For instance, there is little competition from private or international businesses in the oil and gas sector, which is dominated by firms like Rosneft and Gazprom. Bureaucratic obstacles, strong local partnership requirements, and government-imposed limitations meant to safeguard national interests are commonplace for foreign investors.

The involvement of oligarchs, or wealthy corporate leaders with close ties to the Kremlin, is a defining characteristic of Russia's investment climate. These people frequently hold substantial financial resources, which fosters an atmosphere in which political ties and corporate success are strongly correlated. For example, in the banking industry, individual banks face regulatory pressure while state-backed financial giants like Sberbank and VTB enjoy preferential treatment.

Through data localization laws and regulatory restrictions, the government has actively supported indigenous champions in the technology sector, such Yandex and VKontakte, while restricting global competition. A larger trend of defending national interests at the expense of free-market principles is reflected in this selective intervention.

Due to its past encounters with foreign influence, Russia has developed a degree of suspicion toward foreign investment, which has resulted in policies that support native businesses. Although foreign businesses are permitted to operate in Russia, they frequently do so under strict guidelines. The automobile industry serves as an example; in order to adhere to government regulations that support domestic production, global automakers like as Renault and Volkswagen have been forced to set up local manufacturing facilities and partnerships.

On the other hand, Russia has supported indigenous alternatives with financial initiatives backed by the government. For example, the Skolkovo Innovation Center is a state-sponsored center for technological advancement that gives preference to domestic companies over foreign ones. In a same vein, Western sanctions imposed after geopolitical crises have sped up attempts to become economically independent, significantly lowering dependency on outside funding.

The political culture, oligarchic structures, and governmental control continue to have a significant impact on Russia's investment opportunities. Even while there are opportunities in many different industries, investors still have to deal with political concerns, regulatory uncertainty, and cultural opposition to foreign participation. It is essential for anyone hoping to successfully negotiate Russia's complicated economic environment to comprehend these dynamics.

INDIA: THE IMPACT OF RISK AVERSION AND COMMUNITY NETWORKS ON INVESTMENT CULTURE

Risk aversion and community-based financial decision-making have a significant impact on India's investment culture. Due to their perceived security, traditional investment options like gold and real estate still have a dominant position. Trust in financial institutions is still a major issue, even with the growth of fintech and digital investing platforms. This study examines how Indian investing behavior and the changing financial decision-making landscape are influenced by risk aversion and community networks.

Low-risk assets have long been preferred by Indian investors over erratic market instruments. There are multiple reasons for this behavior:

Cultural Preference for Stability: Indian households make cautious investing decisions because they value capital preservation over large returns.

Previous Economic Instability: Risk-averse attitudes have been strengthened by past financial crises, banking frauds, and stock market volatility.

Preference for Tangible Assets: Unlike stocks and mutual funds, which are seen as unpredictable, investments in gold, real estate, and fixed deposits offer a sense of certainty.

In India, close-knit social circles, family members, and relatives frequently have an impact on financial decision-making. Important elements consist of:

Intergenerational Financial Advice: Parents and elders are important sources of guidance when it comes to investing, frequently endorsing traditional assets over more recent financial offerings.

Collective Investment Practices: Community-based financing, such as cooperative societies and chit funds, is still widely used since it provides financial stability through trust between parties.

Social Proof in Investing Decisions: People frequently choose investments that are supported by their friends or neighbors, which causes herd mentality in financial trends.

India's investment patterns are increasingly changing as a result of the fintech revolution. Younger investors are being encouraged to investigate new asset classes by mobile banking, digital wallets, and online trading platforms. But there are still difficulties:

Lack of Trust in Financial Institutions: Due to worries about fraud, cyberthreats, and regulatory ambiguities, many investors are still hesitant to interact with digital platforms.

Lack of Financial Literacy: A sizable section of the populace is ignorant of contemporary investment products including stock markets, mutual funds, and exchange-traded funds (ETFs).

Hybrid Investment Approach: Although fintech is becoming more popular, many investors still choose to mix traditional and digital assets, favoring equities or mutual funds with gold, real estate, and fixed deposits.

The culture of investing in India is influenced by community-driven decision-making and risk aversion. Traditional behaviors are being gradually changed by financial advances, yet ingrained trust concerns and a strong need for material things still exist. In order to close the gap between traditional and contemporary investment practices in India, financial literacy initiatives, regulatory protections, and increased digital trust will be essential.

CHINA: THE ROLE OF COLLECTIVISM AND GOVERNMENTAL OVERSIGHT

Collectivism places more emphasis on the interests of the group than on personal benefit, which is in line with communist ideology, which places a higher priority on social justice and state-led economic planning. Collectivism in China's financial investments is demonstrated by strategic state-led projects, community-oriented financial conduct, and centralized economic management (Luo & Liu 2021). China’s collectivist financial investment model offers both advantages and challenges. Strong government regulation that guarantees economic stability and the predominance of State-Owned Enterprises (SOEs), which reduce

ISSN No: 2349-059X
Peer Reviewed & Refereed Journal
National Research Journal

market volatility, are among its advantages. Social cohesiveness also encourages collaborative investments, which lowers financial risks (Luo & Liu, 2021). However, institutional inefficiencies impede entrepreneurial endeavors, and a lack of market flexibility limits private sector innovation. The system's risk aversion reduces the vitality of the financial markets. There are opportunities in digital finance, where the Belt and Road Initiative (BRI) improves investment collaboration with partner countries and government-backed fintech ventures can increase financial inclusion. Reforms pertaining to foreign investment might promote moderate market liberalization. However, there are dangers associated with geopolitical conflicts, and an over dependence on SOEs leaves economic growth open to inefficiencies. Artificial stabilization brought on by market manipulation through state-directed investments can also impede natural economic growth (Luo & Liu, 2021). It is still essential to strike a balance between market freedom and state regulation.

Research has indicated a considerable positive correlation between company R&D spending in China and Confucian culture (Yan et al., 2020). This implies that the incorporation of Confucian ideals into business decision-making is indirectly reinforced by the government's wider cultural promotion, which improves investment efficiency.

Key government organizations oversee the creation and execution of foreign investment policies in China, each of which has a specific function in controlling and promoting investment activity.

The Ministry of Commerce (MOFCOM) is the main body in charge of monitoring foreign investment in China. It oversees the Foreign Investment Law (FIL), which established a framework for foreign investment regulation and superseded earlier laws on January 1, 2020 (*China - United States Department of State*, 2025)

The 'Negative List' system, which identifies industries where foreign investment is limited or outright forbidden, is administered by the National Development and Reform Commission (NDRC) in coordination with MOFCOM. This approach is essential to China's economic opening policy while protecting vital industries (Desmonts, 2024).

The registration and regulation of market enterprises, particularly those involving foreign investment, is the responsibility of the State Administration for Market Regulation (SAMR). It guarantees adherence to market rules and preserves equitable competition in the marketplace (Desmonts, 2024).

China places a strong emphasis on mutual benefit and harmonious development when integrating collectivist concepts into foreign investment regulations, which is consistent with its cultural values. Initiatives like the Belt and Road Initiative (BRI), which aims to promote global collaboration and shared development and reflects China's collectivist cosmopolitanism, are prime examples of this strategy (Liu & Xie, 2023). These agencies collectively ensure that foreign investment aligns with China's economic objectives and cultural values, promoting sustainable and inclusive growth.

SOUTH AFRICA: THE DUAL ECONOMY AND CULTURAL TRUST DEFICIT

A particular example of a dual economy is South Africa, where investment patterns are impacted by cultural variations between formal and informal markets.

Particularly in metropolitan regions where formal job possibilities are limited, the informal sector is a crucial source of employment and entrepreneurship. A research by (Musara & Nieuwenhuizen, 2020) found that the informal sector accounts for roughly 5.2% of South Africa's GDP and 15–17% of all employment, making it a significant contributor to the nation's employment landscape. This emphasizes how crucial the industry is to supporting livelihoods and encouraging entrepreneurship in urban areas. According to the study, SMEs frequently struggle to obtain legal credit due to strict lending requirements and a lack of collateral, which forces them to turn to unofficial funding sources like rotating savings and credit associations (ROSCAs). This dependence highlights how informal businesses are marginalized in the nation's regulatory framework (Brixiová et al., 2020).

In South Africa, traditional community-based savings groups called stokvels still have a big impact on underprivileged areas. By allowing members to pool resources, these unofficial financial institutions promote social cohesiveness and offer financial support. (Matuku & Kaseke, 2014)

FINDINGS AND THEMES

1. Trust and Relationship-Based Investments: Trust is a dominant factor in all BRICS nations, shaping investor behavior and financial decisions.
2. Regulatory and Political Influence: Government intervention and regulatory frameworks significantly impact investment confidence and market participation.
3. Risk Perception and Investment Preferences: Cultural attitudes toward risk-taking vary, with some nations favoring traditional assets and others embracing innovation.
4. Informal Financial Systems: Community-based financial models continue to play a crucial role, particularly in India and South Africa.

Recommendations and Implications

1. Strengthening Financial Education: Enhancing financial literacy can bridge cultural barriers and improve investor confidence.
2. Policy Harmonization: Creating culturally adaptive investment policies can encourage both domestic and foreign investment.
3. Encouraging Public-Private Partnerships: Collaboration between governments and financial institutions can foster trust and economic growth.
4. Promoting Technological Integration: Digital financial services can mitigate traditional cultural constraints and expand investment opportunities.

CONCLUSION

Culture remains a fundamental determinant of financial investment patterns in BRICS nations. By leveraging the CAGE framework, this paper highlights the intricate relationships between culture, regulation, and investment behavior. Understanding these cultural dimensions allows policymakers and investors to navigate complex financial landscapes effectively. Future research should explore deeper interconnections between cultural shifts and emerging financial technologies to optimize investment strategies within culturally diverse economies.

REFERENCES

1. https://journals.sagepub.com/doi/10.1177/18344909231194854?icid=int.sj-abstract.citing-articles.13
2. Luo, J., & Liu, C. (2021). The impact of collectivism on investment behavior: A study of China’s state-driven financial model. *Journal of Emerging Markets Finance and Trade, 58*(3), 423-440. https://doi.org/10.1080/1540496X.2021.1903845

3. Yan, Y., Xu, X., & Lai, J. (2020). Does Confucian culture influence corporate R&D investment? Evidence from Chinese private firms. *Finance Research Letters*, *40*, 101719. https://doi.org/10.1016/j.frl.2020.101719

4. *China - United States Department of State*. (2025, January 4). United States Department of State.https://www.state.gov/reports/2024-investment-climate statements

5. Desmonts, V. (2024, November 15). *Foreign Direct Investment Regimes China 2025*. International Comparative Legal Guides International Business Reports. https://iclg.com/practice-areas/foreign-direct-investment-regimes-laws-and regulations/china?utm_source=chatgpt.com

6. Liu, J. H., & Xie, T. (2023). China's collectivist cosmopolitanism: Harmony and conflict with Western conceptualizations of cosmopolitanism rooted in individualistic notions of human rights. *Journal of Pacific Rim Psychology*, *17*. https://doi.org/10.1177/18344909231194854

7. Horak, S., Klein, A., Ahlstrom, D., & Li, X. (2024). Resilience or decline of informal networks? Examining the role of trust context in network societies. *International Business Review*, *33*(4), 102301. https://doi.org/10.1016/j.ibusrev.2024.102301

8. Horak, S., Afiouni, F., Bian, Y., Ledeneva, A., Muratbekova-Touron, M., & Fey, C. F. (2020). Informal networks: dark sides, bright sides, and unexplored dimensions. *Management and Organization Review*, *16*(3), 511–542. https://doi.org/10.1017/mor.2020.28

9. Chaudhary, S., Dhir, A., Ferraris, A., & Bertoldi, B. (2021). Trust and reputation in family businesses: A systematic literature review of past achievements and future promises. *Journal of Business Research*, *137*, 143–161. https://doi.org/10.1016/j.jbusres.2021.07.052

10. KherPriyankaKusekPeterEltgenMaximilian, P. (2021). *Brazil - 2022 Investment Policy and Regulatory Review (English)*. World Bank. https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099000008302216765/p173938025c9f504a09e6c0ff0bb842ff7a?utm_source=chatgpt.com