

## Il Dipartimento di Economia Organizza il Seminario

# FOR GOD'S SAKE. THE IMPACT OF RELIGIOUS PROXIMITY ON FIRMS' EXPORTS

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**Abstract:**

With this paper we provide the first micro-level empirical evidence on the role of religion for trade flows. By using a rich firm level data set for Turkish manufacturing, we show that sharing the same religious beliefs with potential contractual counterparts drives a firm's first time entry in export markets. We exploit variation in the practice of Islam across Turkish provinces and we find that firms located in provinces characterised by stronger religious beliefs are more likely to enter export destinations presenting a higher share of Muslims among their population. This result proves robust to a large set of sensitivity checks and to the control for reverse causality. Religious proximity also translates in higher initial export shipments and mitigates the role of export experience in subsequent foreign market entries. All in all, our evidence is consistent with religious proximity importantly reducing entry and per period export sunk costs.

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**La partecipazione è aperta a tutti gli interessati**