



Research Paper

The Impact of Religion on International Trade: A case study approach

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ABSTRACT: With the process of making the world a global village, interaction and trading between the countries have become an everyday event. As the world is integrating more, the trade of the countries is growing rapidly and swiftly. While the exchange of goods has an economic dimension, it also has other dimensions of which religion is one. This research paper investigates all the possible ways that show how religion influences international trade. In the paper, the view of the four main religions (Islam, Christianity, Hinduism, and Buddhism) and their reflectivity on economic activity and international trade, in particular, has been observed. Analyzing empirically trade flow of the countries the paper finds an impact of religion on trade. Data have been collected from both primary and secondary available sources. The results indicate that religious openness of any religion boosts trade performance greatly for the countries. Based on the findings of the research, the paper derives several policy recommendations.

KEYWORDS: International Trade, Religion Influences, Economic Activity, Trade Flow, Economic Dimension.

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I. INTRODUCTION

Our world today has become a global village. Trade is happening each moment throughout the world. Along with basic necessary things, other things are also being traded. From a religious point of view, many of these things are not encouraged to be made or traded. So, the religious point of view of the people might make a difference in the trade products or quantity and quality. So, to find out if the religious belief and values make any impact even a dime on the trade and if this belief has any trade restriction is my goal in this research.

As a Bangladeshi resident, I have seen people avoiding much business, uninterested in importing many products and boycotting many things brought to them by trading with other countries solely based on their religious culture and belief. Seeing this in front of my eyes, I had a hidden interest to see if the same events happen worldwide, if people ban trades only because of their personal religious belief and if it makes any impact in the economy. So, when I got the chance to work on my long preserved ideas, to have the ultimate findings of my dream idea, I jumped in this work. So, my surroundings gave me the pivoting idea to select this topic as my research topic.

As the world has become globalized, trade has been flourished and has been affected by several factors. According to some observations, it has been seen that religion might be a factor that on regular basis affect the Trade.

Observing the Muslim community for some recent years it has been seen that there is a difference in trading for Muslims and others. So, thorough research has been done to find out if different religion affects the trade positively or negatively.

It is important to know the relationship between religion and trade because it gives the trust issue in dealing and trading worldwide with people we didn't know before. We needed to know if religion promotes trust and development in economics by flourishing the trade affected positively by the religion factor.

The parameters which are to be investigated in the research is the relationship status of religion and trade, and trade for different religious point of view.

The below questions have been asked to randomly selected people. Each question had possible options to choose from and some had space for people to answer or to write whatever they wanted to convey.

1. Are you a religious person?
2. What religion do you follow?
3. In what kind of field of trading you are working?
4. What is your designation in your company?

Basing on the field of trading, people were asked different questions in the interview, like,

1. Does your religion accept all kinds of product of the selected type (the selected trading type)
2. Is there any product that is banned to work with, in your religion?
3. Do you follow all of your religious beliefs and prohibit yourself in indulging in the trading of said products?
4. The people around you, do they follow their religion and ban trading of certain products?
5. Do you think, it would be better if the religious rules were not there?
6. If people felt more assuring to trade with a religious person?
7. If it was easier to trade with a religious symbol tic country than a regular country?
8. Can religion make a bridge of trust among the parties?
9. Experience on the regarding matter.

The finding of the study can be used in the benefit of the society considering that trade plays an important role in the development of the economy of a nation. Several factors affect this trade in the macroeconomic viewpoints, one of which is religion. This study has been conducted by experimenting important factors of the society, which in turn can be useful to the appropriate information searcher, who needs the data on the impact of religion on the trade of the world. The greater demand for the research is graduates of the economics major and the application of the recommended approach derived from the report will be able to train the students of the relative fields better. For the new researchers, the study will help them uncover in a critical area in understanding the world trade that many researchers were not able to explore beforehand. An improved methodological system has been used in finding the derived information here and the analysis has been done by many revisions to reduce the error term from the report. So, it has great potential to be used by the new researchers to collect the initial data on the given topic and then make a new research on them.

II. LITERATURE REVIEW

Financial reporting is an important aspect of trading. According to Sean T. McGuire; Thomas

C. Omer; Nathan Y. Sharp from “ the impact of religion on financial trade (2005)” the companies in the areas of religion engage minimum in financial reporting irregularities because their religious beliefs have reduced acceptance of unethical business practices. The firms which are situated in religious areas are less likely involved in financial irregularities. It was also noticed that managers who h religious belief in them, they manage their earnings differently than others. They are more open-minded. They found a positive association between real earnings management and religiosity. They also proved that religious social norms represent a mechanism for reducing costly agency conflicts, particularly when other external monitoring is low.

According to Matthias Helble from “On the Influence of World Religions on International Trade” religion actually influences the international trade a lot. Matthais collected his data from various religious statistics. It was difficult for him to collect data as religious data are not easily available to any of us. For that, he used Britannica, Statistical workbook and several different religious communities. He says, Hinduism, as a religion made it open for Hindus for trading as in the Veddas, are found important concepts of economics such as production, exchange, wages, interest, rent, profit, and the market. “Hinduism takes a rather ambiguous stance toward international trade. Whereas economic exchange is welcome, trading is traditionally reserved to a specific caste. For religions other than Hinduism, it might be difficult to find the appropriate Hindu trading partner.” “Judaism can be seen as a religion that not only provides an appropriate framework for economic exchange, but also the incentive to build up trade relations, without discriminating necessarily between Jews and non-Jews.” Again, “Buddhism is a highly flexible and diversified belief. The trust effect for trade between Buddhist countries is small. Since the activity of trading is not perceived positively, Buddhist countries may have a general disincentive to trade.” “The Christian economic thinking recognizes the market system but places some constraints on it which are defined by Christian ethical standards. Trade is not treated explicitly and probably seen more as a necessity than a contribution to economic well-being.” “Islam is a very trade-friendly belief. Trading is explicitly recognized as welfare-enhancing for both parties.” In contrast to the Christian belief, concerns of equity in trade relations are not addressed. He used an extended gravity equation to find relatively important findings. In his findings, it is stated that a shared religious belief may enhance trust and therefore reduce transaction costs between trading partners. This effect should be particularly important for goods that are

sensitive to trust. The world religions accord different importance to the activity of trade. In Islam, for example, traders enjoy a very positive reputation, whereas in Christianity trade is seen more like a necessity.

According to Chong Wha Lee, Soonchan Park from “Does Religious Similarity Matter in International Trade in Services?” (August, 2005) The religious impact of trading on service like business is great. He used gravity models and two estimated methods- one is Poisson pseudo maximum likelihood (PPML) and standard Heckman correction. To do the correction on heteroskedasticity and the biasness for the exclusion of zero trade flow. They found that, religion actually increase trade in services by making a bridge of trust. People tend to believe religious persons and get interested to make trade with them. Secondly, they showed that religious openness matters more than religious similarity. It was also found out that strong dominant religion discourages trade in services whereas religious minorities encourages it. Their study concluded that religion is an important determining factor in the road of doing trade in services and it has positive impact on interpersonal communication and trust and thereby reducing institutional distance between countries.

On “The influence of religion, ethics and culture on international business” published on 2015, Author Annegräte Bratz stated that The Christian religion dates back to more than 2,000 years ago. It is believed that reinvesting wealth pleases God more than „worldly“ consumption. Islam is also a monotheistic religion. Muslims believe in Allah and live according to the Quran and the Sharia which is the Islamic law (Deresky, 2014). Muslims believe that Allah controls time. This may result in a loose time schedule. Business meetings take place around the five daily prayers for which space needs to be provided. Companies can expect a decrease in productivity and contractual agreements during the holy month Ramadan. In strict Islamic countries women are prohibited full participation in business (Deresky, 2014). Annegräte Bratz discussed only about Christianity and Islam, where it was shown that Christians are more business minded and interested to do trades but, Islam is not like that. Islam mined people worships Allah more than worldly thing and trades only they have to.

Joshua J. Lewer and Hendrik Van den Berg in their “The impact of religion on international trade” in 16th my, 2008 stated that, Only two religions, Buddhism and Judaism, have positive direct and indirect institutional effects as well as trade-enhancing network effects. Jewish people may form implicit networks which can in turns increase international trade. It was noticed in their research that Hindu Cultures does not that much support trading with other countries or nationals. Joshua and Hendrik said that it was difficult for them to found out why Roman Catholic, orthodox catholic and Protestantism provide weak support for international trade. It was later found out that indirectly Protestantism is the main institution that inspired other institutions to do international trade.

Chris Seiple in his “How does faith impact business in emerging markets (January, 2015)?” discussed about the faith on god and its impact on business. He said that faith is greatly influential worldwide. He said that there is 33% chance that in any country there are some faith dimensions. Among the 196 recognized countries of the world, 64 countries shows religious symbol on their flag and 84% of the world’s population is self-identified with a particular faith tradition. It is observed that in those regions there tends to be less corruption and more economic development. In any country if the political situation is stable, economy grows. And maintaining the religious norms ensures that as it presumes a minimal level of social cohesion – where people of different beliefs and backgrounds can live with their deepest differences.

Author Erich Toll exclaimed in his “Religion in International Market – impact on work teams and more (October, 2016)” that in global business, religion plays a vital role on teams to work together, to schedule and more. Employees and workers want religious beliefs and practices to be accommodated. They want time & Place for rituals and also time off from work for observances. If the company and the people working in it fails to recognize and accept different cultural background people, it can severely lead to team conflict, scheduling problems and costly employee turnover. This problem can be solved by accepting different religious cultural background people and working together in harmony by understanding different religious viewpoints and the key points of them.

Author Shahnaz Naughton in her “Religion, Ethics & Stocks Trading: the case of an Islamic equities market (January, 2000)” stated that Islamic banking following the prohibition of interest is well established throughout the Muslim world. People are doing trading through these banking systems to avoid getting the label Haram money. In banking system, religion has made a bridge of doing trade in a Halal way, which made a impact for Muslims to do trade more that before. According to Shahnaz, Attention has now turned towards applying Islamic principles in equity markets. The search for alternatives to Western style markets has been given added impetus in Muslim countries by the turmoil in Asian financial markets in 1997. Speculation is not acceptable in Islam and measures would have to be taken to control speculative trading. In addition short selling and margin trading are severely restricted. The use of stock index and equity futures and options are also unlikely to be acceptable within an Islamic market.

HINDUISM & GOBALIZATION (November 2015). In the article Rana P.B. Singh from Banaras Hindu University, Varanasi states that Hinduism captures around 1.08 billion adherents and almost 15% of the world population. Hinduism is diversified and along in its diversity Hinduism has proclaimed traditional liberality of

people. Their GREAT TRADITION preserved by their priests propagates the ancient scriptures and mythology and it contains several key teachings of value for the modern world. Hinduism faces many challenges caused by the globalised values of materialism, consumerism and individualism and overall their religious regulations but is defended from many of globalizations adverse effects from its open minded theology in trade. Hindus abstain from some trade that is not favorable to their religion so, they get defended from the negative impact of them.

RELIGION AND INTERNATIONAL TRADE: DOES THE SHARING OF A RELIGIOUS CULTURE FACILITATE THE FORMATION OF TRADE NETWORKS? (American Journal of Economics and Sociology, Vol. 66, No. 4, pp. 765-794, October 2007) The author Joshua j. Lewer and Hendrik Van Den Berg stated that religion favors many parts of the global economy. Their article makes a contribution toward filling the void by examining how religion affects international trade. Lewer and Hendrik applied an expanded gravity model of international trade to control for a variety of factors that determine trade. They use two recently developed regression methods, scaled OLS and non linear least Squares to exploit the findings to its fullest. Their final suggestion is that some religious cultures are more conducive than others for forming the international trade networks.

RELIGION AND ECONOMIC GROWTH (Saturday, January 13, 2020). Les picker in his article states that according to Barro and McCleary, if the religious beliefs get at the higher point than it stimulates growth because they help to sustain and hold the overall aspects of individual behavior that surely increase productivity. They believe that if religious institutions are higher in an economy it leads to depressing situation or depressing curve o economy as the religious sector consumes a greater section of national resources. But, on the other hand, if growth gets suppresses, it is also tempered by the extent to which religious sector leads to greater religious beliefs, which at the end, encourages economic growth.

RELIGION AND GLOBAL AFFAIRS: THE ROLE OF RELIGION IN DEVELOPMENT (Volume 18, Number 2, Summer-Fall 1998). According to the Author, Judith A. Mayote With a decrease in government involvement in social programs at home and development aid abroad, the importance of non-governmental organizations (NGOs) is ever increasing. NGOs that are relative with a religious orientation have the ultimate potential to make significant contributions and exploitations in the developmental arena. Indeed, they just might prove to be the most effective and lasting of developmental agencies.

III. METHODOLOGY

TO DO THE RESEARCH, I FOLLOWED A STRUCTURED METHODOLOGY.

○ Research Approach:

The approach of my research that I addressed is qualitative. As the religious impact on trade is comparatively a new perspective on the trade basis research, it is comparatively hard to gather data on this topic from different sources. Not many similar kinds of work is available for this kind of work. But, there were some works where the relationship between different religions and business was shown. As secondary sources are not always readily available and due to COVID_19 pandemic, it is difficult now to collect primary data, I limited my research only in the qualitative zone. Working from scratch, I tried to make this research an opening for further researchers to make quantitative work based on this research if they are willing to do so.

I believe, my qualitative research method is standard in the field of methodology and it has a proper justification. Also from the ethical point of view, I think this research will shed some new light on the ethical and unethical practice of religion on trades.

In terms of validity and reliability, I declare that my research is 100% valid in my knowledge as all the data I collected are from the authentic source and they were analyzed maintaining the acknowledged analytical tools and techniques. Still, as we are a human being, it is only natural to have some error in the data collection and analysis of research. I hope the error won't be more than 5%.

○ Sampling Method:

To collect samples, I targeted people who were in the business of trading of different products. As I had links to reach many of them, I could reach to 100 random traders by email and social media and by phone. But, finally, only 45% of them answered accurately and in time. So, I got around 45 random data from people who work locally & internationally and who could give a real picture of the current scenario.

○ Methods of Data Collection:

1. Survey questionnaire:

I prepared a short questionnaire using Google forms and collected the answers in Google sheet, which I used later for analyzing.

2. Online Interview:

As the COVID-19 pandemic situation got worse and it became difficult to reach people and meet with people, I had to take short interview online from my targeted people. Yes, few of them hung up but most of them were warm to the questions and hopefully answered to the best of their knowledge, which I collected in the excel sheet.

3. Secondary/ Existing Data:

Some works have been done which are relatable to my selected topic, I collected some findings from their research and experimented on them and took as my own after experimenting on them.

4. Observation:

I am observing in my society for a long time to see that there is an impact of religion on trade. But, with a sceptical research mind, I am observing for last 4 months on the Muslim community and found out that many Muslim traders are not trading products that conflict with guidance of halal/ haram, mahram/non-mahram and shariah. I took some points on them in my notebook which at the end helped me to analyze my research data.

○ Data Analyzing method:

After collecting data, I have organized them as having impact on trade or not and found my answer. Then for each religion, I segmented the ideas behind that particular religion to give any impact.

IV. DATA ANALYSIS AND FINDINGS

Analysis of Google form, Interview & Other research work:

I have found 12 responses through Google form and 28 responses through online communication. Analyzing the Google Form and responses from the participants in the interview, I have found out that, trade flourishes on the presence of religion. As religious people tend to be more trustworthy, they easily capture the attention of parties and are encouraged to deal on a bulk amount. Also, religious people tend to follow the religious norms of their religion and restrain from doing or conducting any unethical trade with the opposing parties. As religious people are peace seekers and tend to set aside from social collision, social unrest is mostly controlled and reduced and economical growth flourishes. And, the country which is more economically developed or on the road of development, they tend to be more welcomed in any trading business.

It is true, in any religion along the positive sides, there are few drawbacks. In trading too, I have found out few problems in a different religion.

□ Firstly, if we consider Islam, Islam is a very open religion to do trade. There is no boundary as long as people do it maintaining the Shariah. True Muslims are very trustworthy. They keep their words and refrain from conducting any illegal work. But, as they are religious, they tend to give a good portion of time on their rituals. As they believe, Allah controls fate and time, they sometimes leave everything on their fate and don't solve a problem with full energy in trading, which is wrong. It is not true for all, but in some case it happens. The muslim women are mainly not very encouraged to do any kind of trade. So, in this field they are still lagging behind. Islam has a great deal of impact on trade. People who believes in Islam and do business following all Islamic rules are tend to be more trustworthy and gets acceptance to people easily than a Muslim without good religious beliefs. In summary, Islam is a very trade friendly belief. Trading is explicitly recognized as welfare enhancing for both parties. Incontrast to the Christian belief, concerns of equity in trade relations are not addressed.

□ Secondly, In Christianity, There are some branches of Christians. They have slightly different viewpoints but in general, all of them promote the urge to do trade. As they believe, trading and doing all kinds of business increase wealth. And, their religion says to increase wealth for the betterment of themselves and their society. SO, they give their all to conduct more trading and increase their wealth. But, the problem arises, when or if they get greedy for more. They tend to become unable to restrain themselves in conducting the unethical activity. It is not true everywhere, but, sadly, it happens. Christianity is the only religion that promotes the urge to do the trading at the greatest. As they have the necessary greed to flourish in the business, they are always given priority in some tasks as they will not neglect their tasks while trading but sometimes they lack the trust for their wealth. The Christian economic thinking recognizes the market system but places some constraints on it which are denied by Christian ethical standards. Trade is not treated explicitly and probably seen more as a necessity than a contribution to the economic well being.

□ Thirdly, In Hinduism, a lack of trading is visible. Hindus are not very much interested to do trades, Hindus who maintain their religious beliefs face difficulty in trading. Hinduism negatively affects trade. Their myths and social beliefs harm to trade. In the sutra of their religion, it is said to find their god rather than doing all kinds of trading and other business. Hinduism is mainly based in India and grew on a sacred book called VEDA, which was written by Rishis (religious authors). Hinduism proclaims four legitimate aims of life: dharma, Artha, Kama, and Moksha. These translate roughly into righteousness, economic well being, pleasure, and salvation. Every Hindu is free to pursue these aims as long as he also fulfils his dharma. Dharma changes from caste to caste and the market-oriented view of Hinduism finds its limits when it comes to the caste system. Also, for religions other than Hinduism, it might be difficult to find the appropriate Hindu trading partner.

□ Fourthly, In Buddhism, a very flexible system can be found. Buddhism can adapt itself to different customs of the country and the tolerant scale is high also. There cannot be found many explicit points in Buddhism about trading but the social ethic of Buddha touched the economic issues moderately. Buddha told his people to be kind and considerate and also forbade the monks and nuns to take donations. Rather than doing business, Buddhists are interested to use the time for finding their inner peace. The considerable differences between country-specific versions of Buddhism may limit the trust enhancing effect of sharing Buddhism as common as common religion between trading partners. Also, Buddhist countries may have a general disincentive to trade.

In summary, it can be said that religion overall has a great effect on Trade. Trade beliefs in religion, trade believe the religious people. People are interested to do trade with someone who maintains his religious beliefs well. Religion makes a bridge for trade between nations and different regions. Matthies Helbe once asked in his one of his work, that IS GOD GOOD FOR TRADE? To answer his questions, yes, God is good for trade; religion given by god is good for trade. Where there is god, there is faith. Where there is faith, there happens trade. So, yes, Religion has a great impact on the trade of the world.

V. CONCLUSION

Working on topic- Impact of Religion on International Trade, I have collected some data from primary sources and some data from secondary sources. Analyzing them, it has been found that there is a strong relationship between religion and world trading. Different religion affects trade differently. But, in summary, it can be said that religion positively affects trade and if religion is followed than trade flourishes at a great deal for each religion. So, some recommendations can be derived from the whole report which is given below:

1. As religion affects trade positively, so, religion keeping should be encouraged.
2. Religious people seem capable to keep the trust of the other parties, so, trade should be done with them.
3. In Islam, it is strictly prohibited to harm others in trading or a transaction, so, it is advised to trade with Muslim community the most if there is a risk that is associated with the trade.
4. God is good for trade, basing on the statement, everyone should practice the policies that religions preserve to affect trade positively.
5. As it is a wrong theory that, religious practice consumes a great deal of nation's resources, so, more favors should be given to the pious people for more practice.
6. In the curriculum system, the government should induce ethical and important common practices from every culture that can be an impact on the economy.

VI. RECOMMENDATIONS

In today's world, competition is everywhere both locally and internationally. Trade is happening each moment. While trading, different kinds of obstacles arise. Solving the problems, dealing with the different phenomenon, acknowledging the wall between right and wrongs in trading, and passing the obstacles is the only way to survive in the world. Also, there are many things which have impacts and affect the trading. My research indicates one of those phenomena if I say, that is the impact religion impose on any kind of trading.

- In doing the research I have gone to the experts who could give me relevant ideas on things for last one month.
- The data I have gathered are mostly from the primary base, so, they are unique.
- To do the research I have segregated all the trading type to know which kinds of trading gets impacted by religion.

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