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## Trade Credit Provision and National Culture

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### Abstract

In this paper we investigate the relation between trade credit provision and national culture as captured by Hofstede's four cultural dimensions (collectivism/individualism, power distance, uncertainty avoidance, and masculinity/femininity). Consistent with our predictions based on several theories of trade credit, we find that after controlling for firm- and country-level factors as well as industry effects, trade credit provision is higher in countries with higher collectivism, power distance, uncertainty avoidance, and masculinity scores. These results are robust to using alternative measures of culture and trade credit, alternative sample compositions, and alternative estimation methods, as well as to addressing potential endogeneity concerns. International trade openness, however, mitigates the relation between trade credit provision and our proxies for national culture.

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**JEL classification:** G32; Z10

**Key words:** Trade credit, national culture, collectivism, power distance, uncertainty avoidance, masculinity

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