



Religiosity, Religious Identity, and Financial Literacy: the Mediating Role of Moral Values in Trust in Financial Institution and Financial Governance

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Abstract

Public trust in financial and governmental institutions is essential for maintaining financial stability, yet trust deficits remain a persistent global challenge. This study investigates how religiosity, religious identity, financial literacy, and moral integrity shape institutional trust in banks and the government, with moral values (tax compliance and anti-bribery behavior) acting as mediating mechanisms. Using data from the World Values Survey (WVS) Waves 6 and 7, covering 92,628 respondents across 69 countries, this study employs ordinal logistic regression and mediation analysis to examine both the direct and indirect effects of religiosity, financial literacy, and moral integrity on institutional trust. Religiosity positively influences trust in banks and the government, especially through participation in religious services and the importance of religion. Financial behaviours such as saving and thrift also enhance institutional trust, while moral deviations reduce it. Interestingly, religious identity alone negatively affects trust, indicating that internalised moral values, rather than nominal affiliation, drive institutional confidence. Mediation results confirm that financial morality bridges religiosity and institutional trust, emphasizing ethics as the foundation of institutional credibility. Despite relying on secondary data, this study provides cross-cultural insights into how moral and religious dimensions interact in shaping institutional trust.

This research integrates religiosity, moral integrity, and financial literacy into a unified analytical framework, offering a multidimensional understanding of how values shape financial credibility and public trust.

Keywords: Religiosity, Religious Identity, Financial Literacy, Moral Values, Trust in Financial Institutions

1. INTRODUCTION

Public trust in financial institutions has become a central issue in maintaining financial stability (Christiani and Kastowo 2023). Despite the progress in financial inclusion, many societies around the world still experience significant trust deficits toward formal financial systems. The World Bank reports that approximately 1.4 billion adults remain unbanked (Demirgüç-Kunt et al. 2022), while even institutional sectors such as pension funds struggle to build public confidence (Linhart and Stotz 2022). In Southeast Asia, including Indonesia, the disparity in financial trust persists despite the growing expansion of financial access (Valera et al., 2025; Mishra et al., 2024).

This trust gap encourages the use of informal or alternative financial instruments that are perceived to align better with moral, transparent, and equitable values (Nugroho, Hidayat, and Kusuma 2017).

Public trust in financial institutions is shaped not only by financial infrastructure but also by perceptions of governance, ethics, and cultural alignment. Beyond efficiency and profitability, moral and social dimensions, such as religiosity, religious identity, and financial literacy, play essential roles in shaping trust. Religiosity forms moral foundations that influence ethical decision-making, saving behavior, and perceptions of fairness (Fungáčová, Hasan, and Weill 2019; Alamsyah et al. 2020). Meanwhile, financial literacy enhances the ability to assess

institutional credibility, fosters long-term financial planning, and strengthens confidence in financial governance (van der Crujisen, de Haan, and Roerink 2021; Ricci and Caratelli 2017). Thus, the interaction of religiosity, moral values, and financial literacy provides a vital framework for understanding how public trust in financial systems is formed.

Prior research highlights that religious and moral values influence not only financial preferences but also levels of institutional trust. Cantrell and Yust (2018) find that religion exerts complex effects on institutional performance, while Trinugroho et al. (2017) report that financial institutions in more religious regions tend to exhibit higher levels of productive financing (Wijaya, Moro, and Belghitar 2023). In the context of Islamic finance, religiosity significantly shapes trust and customer satisfaction (Abror et al. 2022; Usman et al. 2017). Beyond religiosity, financial literacy also plays a critical role in shaping public confidence and responsible economic behavior. Dorkas Rambu Atahau et al. (2023) reveal that financial literacy contributes significantly to the transformation and governance of microfinance institutions, while Gallego-Losada et al. (2022) demonstrate that individuals with higher financial literacy tend to exhibit greater civic responsibility in planning for retirement. However, existing studies still vary widely in explaining this mechanism, particularly in neglecting moral values as mediating factors (van der Crujisen, de Haan, and Roerink 2021).

Although a number of studies have revealed the connection between religiosity, moral values, and trust in financial institutions, there is still a significant conceptual gap. Most studies highlight the direct influence of religiosity on trust, without considering the role of moral values as a mediating mechanism (van der Crujisen, de Haan, and Roerink 2021). Furthermore, although financial literacy has been shown to contribute to financial inclusion and governance (Dorkas Rambu Atahau et al. 2023; Gallego-Losada et al. 2022), its interaction with religious and moral dimensions has been rarely studied, especially in developing countries such as Indonesia. In this context, this study offers a contribution by integrating religiosity, religious identity, and financial literacy into a single analytical model with moral values as a mediating variable. Theoretically, this study expands the discourse on value-based financial behaviour and institutional trust, while practically providing insights for policymakers and financial institutions to strengthen public trust through governance based on moral and religious values.

2. LITERATURE REVIEW

2.1. Religiousness and Trust in Institutions and Financial Governance

Religiosity reflects a person's beliefs and religious practices that influence an individual's life, including beliefs, practices, spiritual experiences, and religious social bonds. Saroglou (2011) defines religiosity in four frameworks, namely believing (belief), bonding (transcendental relationships), behaving (compliance with moral norms), and belonging (religious identity). This shows that religiosity is not only related to personal aspects, but also socio-cultural aspects. Religiousness is one of the variables that can partially moderate the relationship between the subject of norms and the intention to access financial institution facilities (Alzadjal et al. 2022).

Religiousness is an important determinant in increasing public trust in financial institutions. Religiousness in the banking system can influence participation levels, although the direction varies greatly (Fungáčová, Hasan, and Weill 2019). Religious values reduce the amount of unproductive financing, so that both Islamic and conventional banks perform better (Wijaya, Moro, and Belghitar 2023). A person's religiosity influences consumer preferences in determining which banking products to use (Junaidi et al. 2023). In the context of Islamic banks, Abror et al. (2022) found that personal religiosity can influence the trust and satisfaction of Islamic bank customers because it is in line with spiritual values. In this context, more religious individuals tend to trust financial institutions that are in line with their beliefs (Hilary and Hui 2009).

Hypothesis 1 (H1): Religiosity has a positive effect on moral values.

Hypothesis 2 (H2): Religiosity has a positive effect on trust in financial institutions and financial management.

2.2. Religious Identity and Trust in Financial Institutions and Governance

Religious identity is linked to more ethical and transparent institutional governance. A person's religious identity refers to an individual's attachment to a particular religious group (Ysseldyk, Matheson, and Anisman 2010). Religious identity functions within a social framework that shapes perceptions of institutional legitimacy and credibility. Abdelsalam et al. (2021) found in their study that the religious values of a community are linked to the level of voluntary disclosure in financial reports, which can increase public trust. Religion has a negative influence on both Islamic and conventional banking institutions, where religion affects

liquidity, solvency, efficiency, and profitability (Haddad 2023). Religious orientation in this case has no significant impact on bank stability in countries with a dual banking system (Bektas, Elbadri, and Molyneux 2022).

Hypothesis 3 (H3): Religious identity has a positive effect on moral values.

Hypothesis 4 (H4): Religious identity has a positive effect on trust in financial institutions and economic governance through moral values.

2.3. Financial Literacy and Trust in the Financial System

Financial literacy is defined as the ability of each individual to understand financial concepts and use them as a basis for financial decision-making, including analysing risks, evaluating products, and planning for the future (Lusardi and Mitchell 2014). Individuals with sufficient literacy tend to be able to make more rational and adaptive financial decisions. In addition, they are able to evaluate the credibility and quality of financial institutions' governance. Good financial knowledge has a strong correlation with the level of trust in banks,

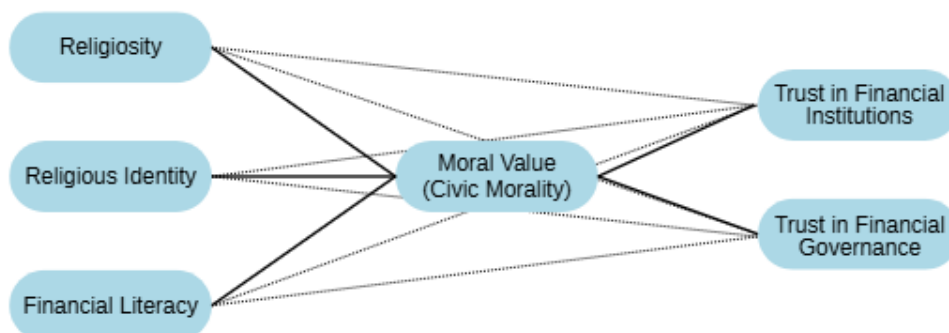
Hypothesis 5 (H5): Financial literacy has a positive effect on moral values.

Hypothesis 6 (H6): Financial literacy has a positive effect on trust in financial institutions and economic governance through moral values.

2.4. Moral Values and Trust in Financial Institution

Moral values play a mediating role in connecting religiosity, religious identity, and financial literacy to trust in financial institutions. Furthermore, the internalisation of moral values is an important aspect that can explain the relationship between these variables. Moral values internalised in each individual will assess the operations of financial institutions so that trust can be built more stably (Park 2020; Adams 2021). In the financial context, religiosity can encourage a preference for Islamic financial institutions, which are perceived as more ethical and fair. However, the effect of religiosity on trust is not always direct; internalised moral values often serve as a connecting mechanism (Albaity and Rahman 2019).

Hypothesis 7 (H7): Moral values have a positive effect on trust in



insurance companies, and pension funds (van der Crujssen, de Haan, and Roerink 2021).

Financial literacy not only influences technical financial management skills, but also has a positive impact on trust in financial institutions and their governance (Fisch and Seligman 2022). Financial literacy does not work well in religious communities that prioritise moral and religious values in assessing what is ethical and unethical. In the context of Islamic finance, the combination of knowledge and value compatibility (moral/religious) has the potential to strengthen loyalty, satisfaction, and increase trust in financial institutions. Therefore, the development of literacy that prioritises value sensitivity tends to be more effective than literacy that is only technical in nature (Grohmann, Kouwenberg, and Menkhoff 2015; Nițoi and Pochea 2024).

financial institutions.

Hypothesis 8 (H8): Moral values have a positive effect on trust in economic governance.

Figure1. Research Model

3. RESEARCH METHOD

This study adopts a quantitative research design utilizing secondary data from the *World Values Survey (WVS)*, specifically Waves 6 (2010–2014) and 7 (2017–2020), to analyze how religiosity, religious identity, and financial

literacy influence public trust in financial institutions and governance through the mediating role of moral values. The use of both waves allows for a longitudinal examination of global trust dynamics while maintaining data comparability due to consistent sampling and measurement frameworks. The population includes individuals aged 18 years and above who participated in the WVS, and the final sample comprises only respondents who provided complete responses related to religiosity, moral values, financial literacy, and institutional trust.

The combined WVS dataset from Waves 6 and 7 includes a total of 92,628 respondents from more than 60 countries, ensuring robust cross-national representation. Each variable is operationalized through Likert-scale indicators that measure religious commitment, ethical orientation, financial behavior, and the degree of trust toward financial institutions and governance systems. The dataset was obtained from the official WVS repository and subsequently cleaned to remove missing or inconsistent entries before being processed using STATA 17.

This approach enhances the reliability of the statistical analysis and ensures methodological consistency across both datasets.

The analytical process involves descriptive statistics to present respondents' socio-demographic characteristics, followed by ordinal logistic regression to assess how religiosity, religious identity, and financial literacy affect trust levels while controlling for factors such as age, gender, education, income, and employment status. Model specification and validity were tested using link tests, and multicollinearity was evaluated through the Variance Inflation Factor (VIF). Robustness checks were conducted to ensure the consistency and stability of the estimated models (Palframan, Micah Fry, and Farhood 2019; Meghni, Dib, and Azar 2017). The study relies solely on publicly available and ethically approved data from the WVS, ensuring compliance with international research standards, respondent anonymity, and the overall integrity of the empirical analysis.

Table 1. Research Variables

Variable	Operational Definition	Indicators	Scale
Religiosity (X1)	The degree of belief, practice, and personal commitment to religious teachings	Importance of religion; frequency of attending religious services; intensity of prayer or worship	Likert 1-5
Religious Identity (X2)	The individual's attachment to a specific religious community	Membership in a religious group; participation in religious-based social activities	Likert 1-5
Financial Literacy (X3)	Individual's knowledge and ability to understand financial concepts	Ability to make financial decisions; saving versus spending preferences	Likert 1-5
Moral Values (M)	Ethical and normative principles guiding financial behavior	Honesty in financial transactions; rejection of bribery and corruption	Likert 1-5
Trust in Financial Institutions (Y1)	Level of confidence in formal financial institutions such as banks and insurance companies	Trust in banks; perceived fairness of financial institutions	Likert 1-5
Trust in Financial Governance (Y2)	Confidence in governmental and international financial regulators	Trust in the government as a regulator	Likert 1-5

4. RESULT

4.1. Descriptive statistics

These 92,628 observations provide a comprehensive picture of the level of trust, religiosity, and socio-economic characteristics of respondents in various countries. In general, the level of trust in financial institutions (confidence

in banks) and government institutions (confidence in governance) had average values of 2.39 and 2.59 on a scale of 1–4, respectively, indicating that the level of public trust in these two institutions was moderate. The average values for the variables of tax evasion (2.24) and accepting bribes (1.96) on a scale of 1–10

indicate that respondents have a low tolerance for unethical behaviour such as tax evasion and accepting bribes. In terms of religiosity, the majority of respondents were Muslim (35.1%), followed by Protestant (8.5%), Buddhist (4.9%), and Hindu (3.3%). Religious participation is also relatively high, as reflected in the frequency of attending religious services (average of 3.48 on a scale of 1–7) and the habit of praying (often to pray) of 2.83 (scale of 1–8). In addition, the importance of religion in life has an average value of 1.58 (scale of 1–4), confirming that religion occupies a central position in the formation of individual moral values and social behaviour.

From a socio-economic perspective, respondents had an average age of 41.4 years, with 46.9% being male and 58.6% being married. The average level of education was in the

upper-middle category (2.80 on a scale of 1–4), with an average social class perception of 2.69 (scale of 1–5) and an income level of 4.82 (scale of 1–10). Based on employment status, 30.7% of respondents worked full-time, 8.1% worked part-time, 15.9% were self-employed, and 34.1% were unemployed. In addition, approximately 35.8% of respondents came from member countries of the Organisation of Islamic Cooperation (OIC), indicating a predominance of respondents living in societies with a strong Islamic culture. Overall, these characteristics indicate that the research population has a high level of religiosity, positive morality, and moderate trust in public and financial institutions, with a diverse and globally representative socioeconomic background.

Table 2. Descriptive Statistic and Correlations for all Variable

Variables	Number of Observations	Mean	Std. Dev.	Min	Max
Confidence of bank	92628	2.393	0.950	1.000	4.000
Confidence of governance	92628	2.590	0.990	1.000	4.000
Protestant	92628	0.085	0.279	0.000	1.000
Hindu	92628	0.033	0.179	0.000	1.000
Buddhist	92628	0.049	0.216	0.000	1.000
Islam	92628	0.351	0.477	0.000	1.000
Religious service	92628	3.483	2.015	1.000	7.000
Often to pray	92628	2.829	2.237	1.000	8.000
Important of religion	92628	1.576	0.829	1.000	4.000
Saving money	92628	2.106	0.920	1.000	4.000
Thrifting money	92628	0.344	0.475	0.000	1.000
Cheat tax	92628	2.243	2.189	1.000	10.000
Accept bribe	92628	1.961	1.961	1.000	10.000
Age	92628	41.418	16.120	16.000	103.000
Male	92628	0.469	0.499	0.000	1.000
Education	92628	2.804	0.888	1.000	4.000
Social class	92628	2.686	0.996	1.000	5.000
Income	92628	4.815	2.100	1.000	10.000
Married	92628	0.586	0.493	0.000	1.000
Children	92628	0.721	0.449	0.000	1.000
Full time employee	92628	0.307	0.461	0.000	1.000
Part time employee	92628	0.081	0.273	0.000	1.000
Self employe	92628	0.159	0.366	0.000	1.000
Non labor	92628	0.341	0.474	0.000	1.000
Oic	92628	0.358	0.479	0.000	1.000

Source: The Authors

4.2. Specification of Error

The error specification test is conducted to see whether the regression model used is appropriate or there is a specification error. This

test checks for the existence of a non-linear relationship in the model by including the predicted value (\hat{y}) and its quadrant (\hat{y}^2) in the regression. Below is a table of the results of the error specification test obtained.

Table 3. Error specification test

	Coef.	Std. Err.	Z	P> z	95% Conf. Interval	Interval
Conf_bank						
_hat	1.0486	.0133187	78.74	0.000	1.022575	1.074784
_hatsq	.0338492	.0075428	4.49	0.000	-.0190656	.0486328
Conf_gov						
_hat	1.000102	.0093845	106.57	0.000	.9817081	1.018495
_hatsq	.0000764	.004708	0.02	0.987	-.0091512	.009304

The estimation results indicate that confidence in banking institutions has a positive and significant effect on the observed dependent variable, with a coefficient of 1.0486, a z-statistic value of 78.74, and a significance level of $p < 0.001$. This means that the higher the level of individual confidence in banks, the greater the tendency for change in the outcome variable in the model. In addition, the square value of the prediction variable ($_hatsq$) shows a coefficient of 0.0338 with $p < 0.001$, indicating a non-linear relationship. This finding confirms that the influence of trust in banks is not entirely linear, but can change gradually at certain levels of trust, for example, a positive effect that strengthens or weakens as public trust in financial institutions increases.

Conversely, trust in government institutions showed a coefficient of 1.0001 with a p-value of 0.987, indicating that this variable did not have a significant effect on the dependent variable. However, its squared component ($_hatsq$) has a positive coefficient of 0.0000764, which is significant at the $p < 0.001$ level, indicating a very weak non-linear relationship. Overall, these results indicate that trust in financial institutions plays a much stronger role in explaining variations in individual economic behaviour than trust in government. The indication of non-linearity in both variables also suggests the need to adjust the model to capture the more complex relationship between institutional trust levels and community economic decisions.

4.3. Collinearity Test

The results of multicollinearity testing using the Variance Inflation Factor (VIF) value show that most variables in the model have low VIF values, below the general threshold of 10, with most even below 2. These results indicate that the relationship between independent variables in the model is relatively low and does not cause serious multicollinearity problems. Tolerance values close to 1 also indicate that most variables are able to explain variance independently without overlap. Thus, the regression model can be said to be stable and the coefficient estimation results can be interpreted reliably.

Several variables that show slightly higher VIF values include Islam (3.05), Full-time employee (2.79), Non labor (2.89), Self-employee (2.12), and OIC (2.72). The tendency for relatively higher VIF values in these variables can be interpreted as moderate correlations between variables related to employment status and religious affiliation. For example, the Islam and OIC variables can logically have a high correlation because the majority of member countries of the Organization of Islamic Cooperation have large Muslim populations. In addition, variables related to moral behavior and religiosity, such as religious service, often to pray, and Importance of religion, show low VIF values (between 1.38 and 1.60), indicating that these variables make a unique contribution to the model. Overall, the results of this multicollinearity test indicate that the research model has a healthy variable structure and does not experience distortion due to overly strong linear relationships between independent variables.

Table 4. Collinearity Test

Variables	VIF	SQRT VIF	Toleranc e	R-Squared
Protestant	1.12	1.06	0.8900	0.1100
Hindu	1.11	1.06	0.8978	0.1022
Buddhist	1.08	1.04	0.9267	0.0733
Islam	3.05	1.75	0.3275	0.6725
Religious service	1.49	1.22	0.6725	0.3275
Often to pray	1.60	1.26	0.6267	0.3733

Important of religion	1.38	1.18	0.7221	0.2779
Saving money	1.11	1.05	0.8993	0.1007
Thrifting money	1.04	1.02	0.9582	0.0418
Cheat tax	1.66	1.29	0.6008	0.3992
Accept bribe	1.67	1.29	0.5992	0.4008
Age	1.42	1.19	0.7047	0.2953
Male	1.15	1.07	0.8693	0.1307
Education	1.27	1.13	0.7888	0.2112
Social class	1.41	1.19	0.7110	0.2980
Income	1.39	1.18	0.7183	0.2817
Married	1.56	1.25	0.6404	0.3596
Children	1.79	1.34	0.5573	0.4427
Full time employee	2.79	1.67	0.3590	0.6410
Part time employee	1.62	1.27	0.6162	0.3838
Self employe	2.12	1.45	0.4727	0.5273
Non labor	2.89	1.70	0.3465	0.6535
Oic	2.72	1.65	0.3682	0.6318

4.4. Direct Regresion on Institutional Trust

The results of the two regression models (Model 1 for confidence in banks and Model 2 for confidence in governance) with a total of 92,628 observations provide a comprehensive empirical picture of the determinants of individual confidence in financial institutions and government. In general, both models show fairly good goodness-of-fit with Pseudo R-squared values of 0.0757 for Model 1 and 0.0924 for Model 2. Although these values are moderate, the results are statistically significant and consistent across models, indicating that the variables used have a meaningful contribution in explaining the variation in the level of trust in public institutions. The use of robust standard errors ensures that the estimation results have been corrected for possible heteroscedasticity, making the interpretation of the coefficients more statistically reliable.

The estimation results show that religious affiliation has a significant influence on the level of trust in banks and the government. Muslims tend to have higher levels of trust in both institutions compared to other religious groups, as reflected in the significant negative coefficients in Model 1 (-0.200***) and Model 2 (-0.265***). These findings can be interpreted as a reflection of differences in perceived values and historical experiences in the relationship between religion and formal institutions. Meanwhile, the variables of religious service and importance of religion have a significant positive effect on both forms of trust, indicating that involvement and stronger religious are associated with slightly lower trust in formal institutions. This may reflect critical attitudes among religious individuals towards the ethical integrity and governance of public institutions.

Conversely, the frequency of praying (often to pray) does not show a significant effect, indicating that personal ritual aspects may not be directly related to perceptions of public institutions.

From the perspective of financial behaviour and morality, the variable of saving money shows a significant positive influence on both models, which means that individuals with a habit of saving tend to have lower trust in banks and the government. The finding that individuals saving money tend to be more critical toward formal institutions and not automatically translate into higher trust in banks. This pattern may reflect that individuals with greater experience in the financial system develop a more realistic and discerning view of institutional reliability, recognizing both its benefits and potential risks. Such critical awareness implies that practical financial engagement fosters informed skepticism rather than blind trust toward formal financial institutions. Conversely, the variable of thrifting money has a negative coefficient but is not significant in Model 1 and marginally significant in Model 2, which means that extreme thriftiness does not always correlate with trust in formal institutions.

The significant positive coefficient for the cheat tax variable indicates that individual who are more tolerant toward tax evasion tend to show lower levels of trust in public institutions. This suggests that financial moral permissiveness, such as justifying tax cheating, reflect a lack of confidence in institutional fairness and integrity. In contrast, the significant negative coefficient of the accept bribe variable indicates that rejecting bribery practices is associated with higher institutional trust, reinforcing the idea that trust is rooted in internalised moral value and ethical behaviour.

Meanwhile, the control variables provided some nuanced findings. The education had a significant positive relationship, indicating that the higher a person's level of education tends to be slightly more critical toward public institutions. Conversely, both income and social status show a significant negative effect, suggesting that individuals with high incomes and social standing exhibit greater institutional trust. Marital status also matters, as married

individuals display higher levels of trust than their unmarried counterparts. Self-employed, however, tend to show lower trust, possibly due to experiences with complex regulations or bureaucratic challenges. The OIC variable has a negative and highly significant coefficient in both models, indicating that individuals from member countries of the Organisation of Islamic Cooperation tend to have lower levels of trust in banks (-1.687***) and government (-1.975***).

Tabel 5. Direct Regression

Model	Model 1 (Conf bank)		Model 2 (Conf gov)	
	Estimation	P value	Estimation	P value
Independent Variable (IV)				
Protestant	-0.065**	0.026	-0.069***	0.025
Hindu	-0.163***	0.059	-0.236***	0.060
Buddhist	-0.115***	0.036	-0.113***	0.039
Islam	-0.200***	0.028	-0.265***	0.028
Religious service	0.011***	0.004	0.027***	0.004
Often to pray	-0.003	0.004	0.004	0.004
Important of religion	0.114***	0.009	0.119***	0.009
Saving money	0.064***	0.007	0.045***	0.007
Thrifting money	-0.018	0.013	-0.022*	0.013
Cheat tax	0.021***	0.004	0.030***	0.004
Accept bribe	-0.008*	0.004	-0.029***	0.004
Control Variable				
Age	0.002***	0.000	-0.002***	0.000
Male	0.003	0.013	0.002	0.013
Education	0.040***	0.009	0.098***	0.009
Social status	-0.058***	0.008	-0.027***	0.008
Income	-0.031***	0.004	-0.0023***	0.004
Married	0.015	0.016	-0.034**	0.016
Children	0.018	0.019	0.009	0.018
Full time employee	-0.027	0.023	0.010	0.023
Part time employee	-0.053*	0.030	-0.037	0.029
Self employe	-0.007	0.026	0.011	0.026
Non labor	-0.074***	0.023	-0.081***	0.023
OIC	-1.687***	0.081	-1.975***	0.079
Observations	92.628		92.628	
Log pseudolikelihood	-112982		-113236	
Pseudo R-squared	0.0757		0.0924	
Robust standard errors in parentheses				
*** p<0.01, ** p<0.05, * p<0.10				

4.5. Mediating Role of Financial Morality

The mediation test results reveal that religious affiliation has a significant negative direct effect on trust in banks, which, given the reverse coding of the trust scale (where lower values indicate higher confidence), actually reflects a stronger level of trust among religious individuals. This suggests that individuals with strong religious identification tend to place greater confidence in banks and the government.

However, when financial morality is introduced, reflected in the rejection of unethical practices such as bribery and tax evasion, this relationship becomes more nuanced. The mediating effect of morality indicates that ethical financial behavior reinforces and stabilizes the trust generated by religiosity, showing that moral integrity serves as a bridge linking religious orientation and institutional confidence.

The dimension of practical religiosity, such as attending religious services and the

importance of religion, shows a positive but relatively weak relationship with trust in banks and the government, with no significant mediating effect. These results suggest that the intensity of religious practice does not always translate into better moral behaviour or increased trust in institutions. These findings confirm that a deeper and more reflective religious orientation has a more significant influence on social trust and ethical behaviour than merely formal religious rituals.

This study also found that saving and thrift habits have a positive and significant effect

on trust in banks and the government through a partial mediation pattern. The partial effect that emerged shows that ethical financial behaviour has a strong direct influence, part of which is also explained through the mechanism of morality (tax honesty and rejection of bribery). Individuals who manage finances prudently and ethically tend to show higher institutional trust. Moral deviation behaviours (cheating on taxes, accepting bribes) exert a significant negative direct effect on institutional trust, confirming that unethical conduct consistently erodes confidence in both banks and government institutions.

Table 6. Mediation test

Relationship Tested	Mediator	Direction and Significance of Effect	Main Finding	Type of Mediation
Religiosity based on religious affiliation (Protestant, Hindu, Buddhist, Islam) □ Trust in Banks	Financial Morality (<i>cheat tax, accept bribe</i>)	Direct negative effect significant (p < 0.01); indirect effect small but significant	Financial morality reduces the negative impact of religiosity on trust in banks	Partial mediation
Religiosity based on religious affiliation (Protestant, Hindu, Buddhist, Islam) □ Trust in Government	Financial Morality (<i>cheat tax, accept bribe</i>)	Both direct and indirect effects significant (p < 0.01)	Financial morality partially mediates the relationship between religiosity and trust in government	Partial mediation
Personal religiosity dimensions (Religious service, Importance of religion) □ Trust in Bank/Government	Financial Morality	Direct positive effect significant (p < 0.01); indirect effect not significant	The influence is stronger directly, without financial morality acting as a mediator	No mediation
Religious financial behaviors (Saving money, Thrifting) □ Trust in Bank/Government	Financial Morality	Direct positive effect significant (p < 0.05); indirect effect small but significant	Financial morality strengthens the effect of financial behavior on institutional trust	Partial mediation
Moral deviation (Cheat tax, Accept bribe) □ Trust in Bank/Government	-	Negative effect significant (p < 0.01)	Poor financial morality directly decreases the level of institutional trust	— (Direct relationship)

5. DISCUSSION

The regression results show that religious individuals tend to trust banks and the government more. This trust is strengthened by religious values, especially participation in religious services and the importance of religion, both of which have a significant effect (p < 0.01). These results explain that a person's religious orientation can increase trust in financial institutions and the government. These findings are consistent with the results of Gemar's (2024) study, which states that public religious practices contribute to increased institutional trust, and

Kaasa and Andriani (2022) emphasise that religiosity can play a role in building social trust. An individual's spirituality and religious beliefs can increase trust in waqf institutions and Islamic financial institutions in Indonesia (Haidlir et al. 2023). Meanwhile, research Tariq, Ansari, and Alvi oleh (2019) shows that intrinsic (substantive) religiosity plays a stronger role in encouraging ethical decision-making and shaping positive behaviour than extrinsic (ritualistic) religiosity.

Conversely, the variables of saving money and thrifting money have a positive influence on institutional trust, with coefficients that are significant at the 1–5% level. These

results indicate that financial behaviours such as saving and thrifting strengthen perceptions of the reliability of the formal economic system. These results are in line with the research by Galiani, Gertler, & Navajas-Ahumada (2022), which confirms that the habit of saving is an indicator of economic trust and strengthens financial inclusion, as well as Facchini, Massin, and Brookes (2024), who found that increased trust in political institutions correlates with private savings rates. Saving and frugal behaviour are important indicators that can strengthen trust in financial institutions and economic stability.

Individual moral factors (tax evasion and accepting bribes) have a negative and significant effect on trust in banks and the government ($p < 0.01$). These results reveal that individuals' tendency to avoid tax evasion and reject bribes increases their trust in public institutions. These findings are in line with the research by Torgler (2005) and Batrancea et al. (2022), which found that tax morale and individual honesty play an important role in building trust in formal institutions. Furthermore, Ceschel et al. (2022) and Ali et al. (2020) also found that anti-bribery behaviour and rejection of corruption strengthen public trust in the government and the banking sector.

Interestingly, the variable of religion (Protestant, Hindu, Buddhist, Islam) showed a negative influence on trust in banks and the government. This can be interpreted to mean that religious identity does not directly guarantee high levels of trust in institutions, but is rather determined by the internalisation of the moral values of the religion itself. These findings support Tariq, Ansari, and Alvi (2019), who found that intrinsic religiosity has a greater influence on ethical behaviour and social trust than extrinsic religiosity, which is ritualistic in nature. These results confirm that the quality of an individual's internalisation of religious values determines the level of trust in public institutions more than simply religious identity or affiliation.

Consistent with the direct regression results, the mediation analysis provides further evidence that the relationship between religiosity and institutional trust is not merely behavioral but fundamentally moral in nature. Ethical integrity functions as the channel through which religious orientation translates into institutional confidence. The mediation test results confirm that financial morality, measured through the variables of tax avoidance and bribery acceptance, plays a role in bridging the relationship between religious identity and institutional trust. Partial mediation was found for the religious identity group with a negative

direction and high significance ($p < 0.001$), whereby religiosity has a direct and indirect effect on institutional trust. These findings are consistent with the literature emphasising the importance of internalising moral values in building institutional trust (van der Crujisen, de Haan, and Roerink 2021). Religiosity has a complex influence on the performance and integrity of financial institutions (Cantrell and Yust 2018). Dorkas Rambu Atahau et al. (2023) confirms that financial literacy and moral values contribute to the governance of microfinance institutions.

Religiousness or religious identity does not automatically result in high trust in financial institutions, but rather through a framework of financial morality, such as tax compliance and rejection of bribery. Moral values, culture, and institutional quality can collectively influence tax morale and financial behaviour (Fonseca Corona 2024). This interpretation is reinforced by Galiani et al. (2022), who show that an increase in trust in financial institutions can causally increase participation and saving habits. In addition, van der Crujisen, de Haan, and Roerink (2021) explain that financial knowledge and discipline are positively correlated with trust in financial institutions. Meanwhile, Svendsen and Svendsen (2012), through the concept of moral economy, emphasise that ethical economic behaviour, such as honesty and financial responsibility, is the basis for the formation of trust-based institutions in modern society. Thus, morality and financial ethics are crucial foundations for the stability of the economic system and credible governance.

Financial behaviours such as saving money and thrifting were found to have a positive and significant influence on institutional trust with a partial mediation pattern. This indicates that individuals who have financial discipline and financial responsibility tend to have higher trust in formal institutions, partly because their moral values are reflected in these behaviours. A study by Aristei and Gallo (2021) found that financial knowledge and trust are positively related to sustainable financial behaviour, supporting the finding that ethical financial behaviour contributes to institutional trust. Financial literacy and depositor discipline influence individuals' trust in banking institutions (Dewi and Wardhana 2022).

Overall, these findings highlight that institutional trust is a multidimensional construct formed through interactions between religious identity, religiosity, financial literacy, and moral integrity. Religious orientation and participation in moral practices increase individuals' ethical and financial responsibility, which in turn strengthens

trust in formal institutions such as banks and the government. Meanwhile, financial discipline, reflected through saving and thrift, serves as a concrete manifestation of responsible behaviour that reinforces perceptions of institutional reliability (Facchini, Massin, and Brookes 2024; Galiani, Gertler, and Navajas-Ahumada 2022). On the other hand, moral integrity, demonstrated through honesty in paying taxes and rejection of bribery, serves as a moral bridge connecting personal values with institutional credibility (Torgler 2005). Overall, these results suggest that trust in financial institutions and the government does not stem solely from religious affiliation, but from the internalisation of ethical and financial values that promote integrity, accountability, and social cohesion in the economic system.

6. CONCLUSION

This study concludes that institutional trust is not shaped by a single factor, but rather arises from the interconnection between religious identity, quality of religiosity, moral integrity, and financial behaviour. Religious orientation and active participation in moral and religious practices strengthen individuals' ethical and financial responsibility, thereby increasing trust in financial institutions and the government. These findings indicate that financial morality, reflected in honesty in paying taxes and rejection of bribery, acts as an important bridge connecting religious and ethical values with institutional credibility. In addition, financial discipline, expressed through active saving and frugality, strengthens perceptions of institutional reliability and contributes to economic stability.

Overall, these results emphasise that trust in formal institutions does not stem solely from religious affiliation or identity, but rather from the internalisation of ethical, moral, and financial values that promote accountability, integrity, and social cohesion. Therefore, institutional policies and strategies that integrate moral education, financial literacy, and ethical governance can play a vital role in strengthening public trust and ensuring the sustainability of the financial and governmental systems.

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