ISSN 2616-5902 Vol. 6, Issue 12: 20-35, DOI: 10.25236/AJBM.2024.061203

Research on the Influence and Mechanism of Residents' Trust Level on Their Consumption Behavior

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Abstract: *The level of trust residents hold toward others and objects within their environment not only plays a critical role in fostering a harmonious and stable rule-of-law setting but may also impact their personal consumption behaviors. Based on the data of CFPS2016, 2018 and 2020, our findings indicate that residents' trust levels significantly promote household consumption and drive consumption upgrades. Further analysis reveals that the tendency to dine out and to shop online serve as potential mediating pathways through which trust influences household consumption. Moderation analysis shows that government administrative efficiency and internet usage positively reinforce this effect. Heterogeneity analysis suggests that the influence of residents' trust on household consumption is particularly prominent among residents in Eastern China, high-net-worth households, and those without religious affiliations.*

Keywords: *Trust Psychology, Household Consumption, Consumption Upgrade, Moderating Effect*

1. Introduction

As one of the "three engines" driving economic growth, consumption plays a vital role in promoting the healthy and sustainable development of a nation's economy. Since the 2008 financial crisis, some countries have adopted anti-globalization trade protection policies, significantly impacting China's long-standing export-oriented economic growth model. For instance, in 2023, China's total imports and exports were 17.98 trillion yuan and 23.77 trillion yuan, respectively, with growth rates of -0.3% and 0.6%, representing sharp declines of 107.1% and 94.2% compared to the previous year's growth rates of 4.2% and 10.31%. In contrast, domestic consumption showed robust growth, with national per capita consumer spending, adjusted for inflation, increasing by 9.0% in 2023[1]. Against this backdrop, boosting domestic consumption has become a key measure for fostering new economic growth drivers, stabilizing the domestic economy, and promoting sustainable development. Achieving this requires accelerating supply-side structural reforms to provide goods and services aligned with evolving consumer demands and further examining the characteristics and determinants of current household consumption. This analysis will offer theoretical insights to stimulate consumption growth and ensure smoother domestic economic circulation. This study explores the impact of consumer trust on household consumption, focusing on both total consumption and consumption upgrading. By examining how trust influences household consumption decisions, It aims to comprehensively understand the impact of trust on household consumption from the perspective of total volume and structure.

2. Literature Review

The discussion of modern consumption theory can be traced back to absolute income hypothesis, which proposed that consumer spending depends primarily on current absolute income[24]. Duesenberry disagreed, arguing that consumption is influenced by both current and past income[14]. The life cycle model suggested that consumers plan their consumption based on expected lifetime income to smooth spending across different life stages[32]. Subsequently, theories such as the random walk hypothesis, liquidity constraint hypothesis[18], and precautionary saving hypothesis[45] emerged, further enriching consumer theory. As research in aggregate consumption developed, attention shifted to the internal structure of consumption. Consumption decomposition theories, such as the Linear Expenditure System (ELES)[40] and Almost Ideal Demand System (AIDS)[9], were gradually established.

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Existing literature on the factors influencing household consumption largely focuses on the macroeconomic environment, such as financial system development[30], market environment construction[23] , and social security systems[44 46]. For example, Jiang et al. (2023) studied the impact of e-commerce development on consumption inequality, concluding that e-commerce significantly reduces consumption inequality by narrowing household income disparities. Yu et al. (2024) using CFPS data from 2014-2020, found that due to higher precautionary saving motives among agricultural households, the impact of pension insurance on consumption is significantly lower for them compared to non-agricultural households. Even at the meso- and micro-levels—household, individual, or supply-side—research is mostly limited to household or demographic characteristics[6 15], marketing strategies for specific products[28], and brand and supplier loyalty[21]. For instance, Fan et al. (2024) analyzed Chinese data and found that demographic age structure significantly affects consumption: the proportion of young people is positively correlated with survival consumption and negatively correlated with developmental consumption, whereas the elderly proportion has the opposite effect. Liu et al. (2022) found that when merchants conduct online marketing, higher color saturation in food images enhances consumers' purchase intentions. However, there is still a lack of research on how general trust affects household consumption.

The concept of general trust explored in this study is considered a key form of social capital, alongside material and human capital, that drives economic growth and social progress[25]. At the individual level, general trust is a subjective psychological perception shaped by one's upbringing and life experiences, reflecting an individual's assessment of the consistency of external actions or the predictability of events. It is fundamentally a triadic relationship involving the trustor[41], the trustee, and their actions[3 8], encompassing belief, emotional attitudes, and cognitive attitudes, and partially reflects individuals' perception of their environment's safety[5 38]. Previous studies have shown that widespread societal trust can effectively boost inter-regional trade and economic growth[33 35], reduce transaction costs, foster microenterprise development[2], lower corporate pollution emissions[6], and expand personal financial resources[27]. However, these studies do not address how trust influences household consumption. To fill this gap, this study uses data from the China Family Panel Studies (CFPS) for 2016, 2018, and 2020 to explore the relationship between residents' trust and household consumption.

Firstly, this study uses the coefficient of variation method to sum up the respondents' trust in various external objects to obtain the general trust level of residents, which is used to directly evaluate the relationship between residents' trust and household consumption, as well as examining the impact of trust on consumption upgrading. Secondly, the mechanisms through which trust affects household consumption are explored via two pathways: dining out and online shopping tendencies, offering insights into the "black box" linking trust to consumption. Thirdly, this study analyzes potential moderating effects from government efficiency and internet usage, further clarifying the details of how trust influences household consumption. Finally, a heterogeneity analysis is conducted on the relationship between trust and consumption across different regions, levels of household net assets, and religious affiliations. This study provides a new perspective for understanding household consumption decisions from a micro-level viewpoint, offering insights into boosting household consumption under the dual circulation policy framework.

3. Theoretical Analysis

As a core element of social capital, social trust forms a fundamental ethical basis for market transactions, significantly fostering cooperation and facilitating exchanges[31 43]. This is particularly critical in scenarios of market failure, such as information asymmetry, where government regulations are either inadequate or ineffective. In a market economy, consumers often experience an informational disadvantage when interacting with product or service providers. The risks posed by the uncertainties of the social environment directly impact consumer behavior[39]. The presence of social trust can substantially contribute to a sense of security and confidence in consumption, alleviating fears stemming from the risks associated with information asymmetry in the market[7]. According to the theory of precautionary saving motives, individuals tend to reduce current savings and increase consumption, a trend that is particularly evident in unfamiliar environments. The higher the level of trust residents place in the social environment, the greater their sense of security regarding the consumption context and parties involved, effectively reducing uncertainty and thus promoting consumption. Based on these insights, this study proposes the following research hypothesis 1:

Hypothesis 1: Enhancing the level of social trust among residents can significantly stimulate household consumption expenditure.

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Regarding the mechanisms through which residents' level of trust affects household consumption, this study focuses on the propensity to dine out and the propensity to shop online. In terms of dining out, first, dining out and eating at home are nearly perfect substitutes; however, dining out incurs additional costs associated with rent, labor, and business profits, resulting in higher expenses than home dining[13]. Second, dining out is not a rigid necessity like healthcare, allowing residents considerable freedom of choice[19]. Third, from a subjective perspective, residents with higher levels of trust may be more inclined to believe in the hygiene of food prepared by others and perceive the quality as worth the associated cost. Consequently, trust levels may influence residents' propensity to dine out, which, in turn, affects household consumption[42]. As for online shopping, this shopping mode has risen alongside the internet, presenting a stark contrast to traditional offline shopping. On one hand, online shopping offers greater convenience in selecting and purchasing goods, allowing consumers to browse thousands of stores from home, which, under comparable conditions, facilitates transactions more readily than offline shopping. On the other hand, online shopping is plagued by more severe information asymmetry. Consumers rely primarily on textual, photographic, or video descriptions provided by sellers to assess product quality before making purchasing decisions, without direct sensory experiences such as touch, sight, or trial. Consequently, their purchasing decisions largely depend on the level of trust they place in the seller and the product. Although return, exchange, and warranty policies, as well as regulatory frameworks for e-commerce, have improved significantly, and standards for vendor registration and management have become increasingly stringent, after-sales service for online purchases generally remains lengthier and more complex than for physical stores, posing greater challenges for consumers seeking recourse[22]. Therefore, online consumption decisions are substantially grounded in trust in sellers and their products or services. To sum up, residents with higher levels of trust are more likely to choose online shopping, which ultimately leads to higher consumption levels. Based on these insights, this study proposes the following research hypothesis 2:

Hypothesis 2: The tendency to dine out and the tendency to shop online are the two ways in which residents' trust level affects household consumption expenditure.

Government Administrative Efficiency refers to the ratio between the resources invested by public authorities and staff in performing social management functions and providing public services, and the outcomes they achieve. In practice, efficient governments often exhibit strong interdepartmental coordination, clear responsibilities, and a lack of bureaucratic buck-passing. Their officials engage with citizens in a patient and thorough manner rather than treating issues perfunctorily. Thus, high administrative efficiency typically signifies transparent and straightforward management processes and streamlined, efficient operations. This environment fosters a harmonious business climate[12], enhances investment efficiency[4], and attracts business presence. It also supports a stable psychological outlook among residents, saving them time and effort for income-generating activities, which ultimately boosts household consumption[11 29].

The internet is transforming daily life with unprecedented scope and intensity, reshaping our consumption patterns at an extraordinary pace. First, the rapid development and widespread adoption of the internet have significantly accelerated the creation and transmission of information, enabling merchants to employ diverse marketing strategies to promote their goods[11]. Second, for residents with higher trust levels who are more receptive to non-contact shopping, frequent internet use allows easier tracking of current consumption trends, exposure to a wider variety of goods tailored to their needs, and the ability to shop across time and space through online purchases[36]. This promotes a precise match between supply and demand, facilitating quicker transactions between buyers and sellers. Finally, from the perspective of network externalities, consumers may be driven by a sense of competition or social comparison[26], leading to impulsive and excessive consumption of goods or services they may not truly need. In summary, this study proposes the following research hypothesis:

Hypothesis 3: Government administrative efficiency and internet usage play a moderating role in the relationship between residents' trust and household consumption expenditure

4. Model Setting and Data Sources

4.1. Model Setting

To examine the overall impact of household trust levels on household consumption expenditure, the following econometric model is specified.

$$Consu_{jit} = \alpha + \beta Beli_{jit} + \xi^T X + \eta_j + \gamma_t + \varepsilon_{jit} \quad (1)$$

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$Consu_{jit}$ represents the total consumption expenditure of household i in region (county) j in year t. $Beli_{jit}$ is the key explanatory variable representing household trust level. The estimated coefficient β is the variable of primary interest in this study. X and ξ represent the control variables vectors and their corresponding coefficient vectors, respectively. η_j and γ_t denote region (county) and year fixed effects, respectively. ε_{jit} represents the error term.

Additionally, the following model is designed to examine the mechanisms through which household trust level affects consumption expenditure.

$$M_{jit} = \alpha_2 + \beta_2 Beli_{jit} + \xi_2^T X + \eta_j + \gamma_t + \varepsilon_{jit} \quad (2)$$

Where M_{jit} represents the mechanisms variable, specifically focusing on the mechanisms of increased dining out and online shopping propensity. The meanings of the other variables are the same as in Equation (1).

Finally, to explore potential moderating effects in the relationship between household trust and consumption, the following econometric model is specified.

$$Consu_{jit} = \alpha_3 + \beta_3 C\_Beli_{jit} + \rho C\_Z_{jit} + \theta C\_Z_{\mathrm{jit}} \times C\_Beli_{jit} + \xi_3^T X + \eta_j + \gamma_t + \varepsilon_{jit} \quad (3)$$

Where C_Beli_{jit} and C_Z_{jit} denote the mean-centered household trust level and moderating variable, respectively, obtained by subtracting their corresponding means.

4.2. Data sources

The data used in this study are drawn from the 2016, 2018, and 2020 waves of the China Family Panel Studies (CFPS) database. CFPS is a large-scale, nationwide, multidisciplinary longitudinal survey that covers 25 provinces, municipalities, and autonomous regions across China, with a target sample size of 16,000 households. The survey encompasses all members within each sampled household.

4.3. Variable selection

4.3.1. Dependent Variable

The dependent variable in this study is the total household consumption expenditure, based on the Classification of Household Consumption Expenditure (2013) published by the National Bureau of Statistics. Household consumption expenditure is divided into categories such as food, clothing, housing, household goods, transportation and communication, cultural and recreational activities, medical care, and other expenditures. Due to the rigidity of medical care expenditures, this study sums all other categories (excluding medical care) to derive the dependent variable $consu$, in units of ¥1,000).In addition, to examine the structural impact of trust levels on household consumption, three additional dependent variables are defined: Engel coefficient ($engle$), Survival Consumption Index ($ConSurv$), and Consumption Upgrade Index ($ConsUp$). $Engle$ is defined as the ratio of household food expenditure to total household consumption expenditure. $ConSurv$ is defined as the sum of food, clothing, and housing expenditures divided by total household consumption expenditure. $ConsUp$ is defined as the sum of household goods, cultural and recreational activities, transportation and communication, and other expenditures divided by total household consumption expenditure.

4.3.2. Core Independent Variable

Considering that the head of household controls economic decisions such as household consumption to a large extent, this study uses the trust level of the household head as a proxy for overall household trust. Unlike most existing literature, which directly constructs a binary variable from responses to the question "Do you generally trust others or are you suspicious?" as a measure of trust, this study derives the core explanatory variable—residential trust level $Beli$—by first extracting five primary trust indicators from the original dataset: trust in parents, neighbors, strangers, Americans, and officials. Each indicator is a discrete variable ranging from 0 to 10, with higher values indicating higher levels of trust. We then use the coefficient of variation method to sum up the weights of these different types of trust indicators. This approach has two primary advantages: First, it provides a more concrete representation of "trust." Trust itself is a subjective psychological judgment of external objects, influenced by external conditions, personal background, and experiences. Without specifying the target of trust, the concept itself becomes vague. Therefore, synthesizing the five indicators better captures residents' trust in various external subjects. Second, compared to using the binary "trust or suspicion" variable, the five basic

ISSN 2616-5902 Vol. 6, Issue 12: 20-35, DOI: 10.25236/AJBM.2024.061203

indicators offer a broader range (0-10), and the weights are calculated annually. This enhances the variability of the core explanatory variable $Beli$ after weighting, thereby improving the efficiency and accuracy of parameter estimation in the empirical analysis.

4.3.3. Mechanism Variable

For the first mechanism considered in this study—propensity for dining out—we use two variables for measurement: monthly expenditure on dining out (in RMB) and a binary variable (0-1) indicating whether the individual dines out every month. For the second mediating mechanism—online shopping propensity—due to the absence of a direct indicator for online shopping expenditure in the CFPS 2020 database, we measure it using only a binary variable (0-1) indicating whether the individual engages in online shopping.

4.3.4. Moderating Variable

The first moderating variable considered in this study is government administrative efficiency. We define two binary variables (0-1) and sum them to create a proxy indicator for administrative efficiency. The binary variables are: (1) assigned a value of 1 if the respondent has ever experienced delays or bureaucratic obstacles when dealing with government offices, and 0 otherwise; (2) assigned a value of 1 if the respondent has ever encountered unfair treatment from government officials, and 0 otherwise. The second moderating variable is internet usage, measured by the hours of leisure internet use recorded in the database.

4.3.5. Control Variable

Based on existing research and considering missing sample data and multicollinearity among variables, this study selects a series of control variables at both the household head and household levels. The details, including symbols, definitions, and units, are provided in Table 1.

To mitigate the impact of outliers on empirical results, both the dependent variable and the key explanatory variable underwent a 1% two-sided winsorization, while other continuous variables were subjected to a 1% two-sided trimming. Missing values for certain indicators were imputed using either the annual trend method or within-group mean substitution, resulting in a balanced panel dataset of 8,991 observations. Table 2 presents descriptive statistics for the main variables. It can be observed that the average annual household consumption, including medical expenses, is approximately 12.8% higher than that excluding medical expenses, indicating the necessity of excluding medical expenses. The mean of the core explanatory variable, synthesized via the coefficient of variation method, is only 2.562, with a standard deviation of 1.455, suggesting that social trust among Chinese residents remains generally low, and further improvements in trust enforcement mechanisms are needed.

Table 1: Definition and description of main variables.

Symbol	Definition and Description
Consu	Total Household Consumption: Excludes healthcare expenditures.(Unit : ￥1,000)
Consu2	Total Household Consumption, Includes healthcare expenditures. (Unit : ￥1,000)
ConsSurv	Basic Survival Consumption Ratio: Proportion of spending on clothing, housing, and food relative to total consumption.
ConsUp	Consumption Upgrade:Proportion of expenditures on household equipment, daily necessities, cultural/recreational activities, and transportation/communication relative to total consumption.
Engle	Engel's Coefficient: Proportion of food expenditures relative to total consumption.
Beli	Trust Index: Synthesized using the coefficient of variation method based on five basic trust indicators of the household head.
BeliBina	Trust Scale: Ranges from 0 to 1.
BeliAve	Average Family Trust Level: Synthesized using the coefficient of variation method across family members.
BeliEntr	Entropy-Based Trust Index: Calculated using the entropy method.
BeliPare	Trust in Parents: Specific level of trust towards parents.

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BeliStra	Trust in Strangers: Specific level of trust towards strangers.
BeliCadr	Trust in Officials: Specific level of trust towards government officials
Popularity	Social Relationship Rating: Higher values indicate better self-assessed interpersonal relationships.
Helpful	View on Human Nature: 0 = "Most people are selfish," 1 = "Most people are helpful."
DineOut	Monthly Dining-Out Expenditures: Amount spent on dining out monthly. (Unit : ￥1)
DineOutD	Dining Out Frequency: 0 = No, 1 = Yes.
ShopOnline	Online Shopping Frequency: 0 = No, 1 = Yes.
AdmEff	Administrative Efficiency: A score combining occurrences of conflict with officials or delays in government services, where 1 point is assigned for each incident.
IntUse	Internet Usage: Leisure time spent online. (Unit : h)
Houses	Property Ownership: Scored as 1 for full ownership, 0.5 for partial ownership, and 0 for no ownership; includes additional property holdings, if any.
Gender	Household Head Gender: 0 = Female, 1 = Male.
Marri	Marital Status of Household Head: 1 = Married/Cohabitating, 0 =Other.
FamilySize	Household Size: Total number of family members.
OlderRatio	Elderly Dependency Ratio: Ratio of members aged 65 and above to the Household size.
ChildRatio	Child Dependency Ratio: Ratio of members aged 16 and below to total household members.
Health	Household Head Health: Self-assessed health status.
IncomePer	Per Capita Household Income: Household income per member. (Unit : ￥1,000)
SavingPer	Per Capita Cash/Savings: Average cash or savings per household member. (Unit : ￥1000)

Table 2: Descriptive Statistics of Key Variables.

VarName	Obs	Mean	SD	Min	Max
Consu	8991	52.305	65.36	0	2234.6
Consu2	8991	59.009	69.35	0.132	2245.6
ConsSurv	8991	58.183	20.28	0	100
ConsUp	8991	21.515	18.423	0	95.793
Engle	8991	38.299	19.154	0	97.182
Beli	8991	2.562	1.455	0	8.661
BeliBina	8991	0.585	0.493	0	1
BeliAve	8991	2.681	1.191	0.191	8.608
BeliEntr	8991	0.264	0.182	0	1
BeilPare	8991	9.395	1.318	0	10
BeliStra	8991	2.168	2.18	0	10
BeliCadr	8991	5.296	2.609	0	10
Popularity	8991	7.152	1.762	0	10
Helpful	8991	0.707	0.455	0	1
DineOut	8991	275.754	546.118	0	10000
DineOutD	8991	0.433	0.496	0	1
ShopOnline	8991	0.284	0.451	0	1
AdmEff	8991	0.314	0.632	0	2
IntUse	8991	8.986	8.573	0	168

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Houses	8991	1.045	0.625	0	8
Gender	8991	0.562	0.496	0	1
Marri	8991	0.841	0.366	0	1
FamilySize	8991	3.412	1.759	1	15
OlderRatio	8991	0.192	0.344	0	1
ChildRatio	8991	0.119	0.242	0	1
Health	8991	2.9	1.172	1	5
IncomePer	8991	29.521	81.035	0	5660
SavingPer	8991	23.771	77.839	0	3500

5. Empirical Results and Analysis

5.1. Baseline Regression

Table 3 reports the baseline regression results. Column (1) presents the regression results without any control variables, while column (2) adds control variables to the regression in column (1). Both columns include region (county) and year fixed effects. In column (1), the regression coefficient of the key explanatory variable $Beli$ is positive, as expected, with a value of 1.09, and is significant at the 5% level. In column (2), after adding control variables, the coefficient of the key explanatory variable decreases to 0.984 but remains significantly positive at the 5% level. This indicates that for each unit increase in household trust level, household consumption expenditure significantly increases by 0.984 (thousand RMB) at the 5% significance level. Therefore, there is a significant positive relationship between household trust level and consumption expenditure, supporting Hypothesis 1 of this study.

Table 3: Baseline Regression Results.

	(1)	(2)
Variables	Consu	Consu
Beli	1.090**	0.984**
	(0.475)	(0.408)
Houses		11.471***
		(1.515)
Gender		4.749***
		(1.316)
Marri		8.906***
		(1.759)
FamilySize		5.016***
		(0.706)
OlderRatio		-13.720***
		(1.858)
ChildRatio		17.099***
		(3.618)
Health		1.244***
		(0.467)
IncomePer		0.150***
		(0.050)
SavingPer		0.042**
		(0.019)
Cons	49.511***	7.399**

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	(1.217)	(3.688)
County FE	Yes	Yes
Year FE	Yes	Yes
N	8991	8991
adj. R2	0.235	0.32

Note: 1.Figures in parentheses are cluster-robust standard errors clustered at the district (county) level; 2. *, **, and *** mean P<0.1, p<0.05 and p< 0.01. the same applies hereinafter.

5.2. Robustness Tests

5.2.1. Endogeneity and Instrumental Variable Approach

The baseline regression reveals a significant positive correlation between residents' trust levels and household consumption expenditure. However, this merely indicates a correlation, not necessarily a causal relationship, as potential endogeneity issues may exist in the model. This study used balance panel data to control for the effects of unobservable factors that vary with individuals but not over time. Additionally, it accounts for missing data and multicollinearity by introducing a range of relevant control variables, which partly mitigates endogeneity concerns. Given the complex factors influencing household consumption, unobserved variables and measurement errors—such as intentional misreporting by respondents or recording inaccuracies—could still introduce endogeneity. To address this, we construct two instrumental variables. The first instrument $IVopularity$ is based on respondents' self-reported "social connections" rating on a scale of 0 to 10, with higher values indicating better perceived social ties. The second instrument $IVHelpful$ is based on responses to whether they believe "most people are helpful or selfish," scored as 1 for "helpful" and 0 for "selfish." The rationale behind these instruments is twofold. First, the perception of others as "helpful" versus "selfish" reflects a subjective evaluation of societal morality that significantly impacts an individual's level of trust—a personal and subjective assessment. Self-assessed social connections measure the respondent's subjective perception of their social network, reflecting their sense of closeness in "self-other" relationships and, indirectly, their trust level toward others. Second, both perceptions—of general helpfulness and social connectedness—are shaped by past experiences and thus should not directly affect current household consumption expenditure. Therefore, these instruments meet the requirements of relevance and exogeneity.

Table 4 presents the regression results using the instrumental variable (IV) approach. In the first-stage regression, where $Beli$ is the dependent variable, the coefficients for $IVPopularity$ and $IVHelpful$ are both significantly positive at the 1% level, indicating that respondents with better self-assessed social relationships or who perceive most people as helpful are more inclined to trust others. The F statistic for the first stage is 23.73, exceeding the rule-of-thumb threshold (10), indicating strong explanatory power of the instruments and control variables for $Beli$. In the second-stage regression, the coefficient for $Beli$ remains positive and is significant at the 10% level. The Anderson LM statistic is 242.721, with a p-value close to zero, rejecting the null hypothesis of underidentification. The Cragg-Donald Wald F statistic is 119.842, well above the Stock-Yogo (2005) 10% maximal IV size threshold of 19.93, suggesting that weak instrument concerns are unlikely. Finally, the Sargan Statistical has a value of 0.059 and a p-value of 0.807, which does not reject the exogenous null hypothesis of all instrumental variables. Therefore, the IV estimation results are reliable, confirming that the baseline regression results remain robust even after addressing endogeneity, supporting the conclusion that increased household trust promotes consumption.

Table 4: Endogeneity: Results of the Instrumental Variable Method Test.

	(1)	(2)
Variables	Beli	Consu
Popularity	0.446***	
	(0.035)	
Helpful	0.049***	
	(0.012)	
Beli		4.314*
		(2.608)

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First stage F Statistic	23.73	
Anderson LM Statistic		242.721 (P = 0.000)
Cragg-Donald Wald F Statistic		119.842 (> 19.930)
Sargan Statistic		0.059 (P = 0.807)
Control	Yes	Yes
County FE	Yes	Yes
Year FE	Yes	Yes
N	8991	8991

5.2.2. Replacing Key Variables

To ensure robustness and mitigate the influence of random factors on the analysis results, this study also conducts robustness tests by replacing the core explanatory and dependent variables. The specific approaches are as follows: (1) Drawing on existing research, this study measures residents' trust levels using a binary variable (BeliBina) constructed from the original database, based on respondents' answers to the question, "Do you tend to trust or doubt others?" A value of 0 indicates a tendency to doubt, while 1 indicates a tendency to trust. (2) The household head's trust level is replaced with the average trust level of all family members. Specifically, the average trust levels for five basic indicators (trust in parents, neighbors, strangers, Americans, and officials) are calculated within the family, and a composite measure is constructed using the coefficient of variation method to weight these averages, yielding a new core explanatory variable (BeliAve). (3) The weighting method for constructing the core explanatory variable is changed from the coefficient of variation method to the entropy method, producing another core explanatory variable (BeliEntr). (4) In the baseline regression, healthcare expenditures were excluded from total household consumption expenditures; here, they are re-included, generating a new dependent variable (Consu2). The regression results after replacing the corresponding variables are presented in Table 5. The results show that, after substituting the core explanatory or dependent variables, the regression coefficients of the core explanatory variable remain consistent in sign with the baseline regression and are statistically significant at least at the 10% level. This indicates that, after accounting for potential random interference, the conclusion that increased trust among residents promotes higher household consumption levels is further validated.

Table 5: Results of Tests with Substituted Core Explanatory and Dependent Variables.

	Replacement of Core Explanatory Variables			Replacement of Dependent Variables
	(1)	(2)	(3)	(4)
Variables	Consu	Consu	Consu	Consu2
BeliBine	4.885***			
	(1.307)			
BeliAve		1.791***		
		(0.493)		
BeliEntr			6.141*	
			(3.298)	
Beli				1.116**
				(0.451)
Control	Yes	Yes	Yes	Yes
County FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
N	8991	8991	8991	8991
adj. R2	0.321	0.321	0.32	0.316

5.2.3. Propensity Score Matching Method

Households with higher levels of trust may consume more due to confidence in the quality of goods

ISSN 2616-5902 Vol. 6, Issue 12: 20-35, DOI: 10.25236/AJBM.2024.061203

or services, which could introduce a sample "self-selection" bias. Propensity Score Matching (PSM), as a method based on observable covariates, compresses multidimensional covariates into a unidimensional propensity score and matches treatment group individuals with control group individuals having similar propensity scores. This approach effectively overcomes the "curse of dimensionality" and incorporates more covariates, ensuring the validity of the ignorability assumption while correcting for endogenous estimation bias caused by self-selection. The binary variable BeliBina, used earlier, is well-suited for PSM estimation, categorizing households with BeliBina = 1 as the treatment group and those with BeliBina = 0 as the control group. Specifically, this study employs three matching methods: nearest neighbor k-matching (k=5), radius matching (r=0.02), and kernel matching (using the Epanechnikov kernel function), to ensure the robustness of the results.

Table 6 presents partial treatment information from propensity score matching [for brevity, only kernel matching details are provided; other matching method details are available upon request]. Before matching, most covariates exhibit significant differences between the treatment and control groups, indicating imbalanced covariate distributions in the original sample and the necessity of propensity score matching. After matching, except for per capita household income (IncomePer), all covariates show no significant differences between the treatment and control groups, suggesting good matching quality and reliable estimation results.

Table 6: Differences in Covariates between Treatment and Control Groups Before and After Matchin.

		Mean		%reduct	T-test	
Variables		Treamed	Control	|bias|	t	p
Houese	Unmatched	1.051	1.037	56.9	1.08	0.281
	Matched	1.051	1.045		0.51	0.609
Gender	Unmatched	0.577	0.542	94.1	3.26	0.001
	Matched	0.577	0.575		0.21	0.833
Marri	Unmatched	0.841	0.841	-282.1	0.12	0.906
	Matched	0.841	0.845		-0.5	0.62
FamilySize	Unmatched	3.38	3.458	73.6	-2.07	0.039
	Matched	3.38	3.401		-0.6	0.547
OlderRatio	Unmatched	0.196	0.186	63	1.29	0.198
	Matched	0.196	0.192		0.52	0.603
ChildRatio	Unmatched	0.123	0.114	57.5	1.87	0.062
	Matched	0.123	0.12		0.86	0.387
Health	Unmatched	2.991	2.772	96.3	8.76	0
	Matched	2.991	2.983		0.37	0.711
IncomePer	Unmatched	32.216	25.722	22.4	3.75	0
	Matched	32.216	27.176		3.35	0.001
SavingPer	Unmatched	26.604	19.776	57	4.1	0
	Matched	26.604	23.669		1.51	0.13

Table 7 presents the PSM estimation results. The estimated average treatment effects are all positive, with minimal variation, and the corresponding t-statistics fall within the rejection region at the 1% significance level. This indicates that the average treatment effects are significantly positive at the 1% level, consistent with the baseline regression results. Thus, even after addressing potential self-selection bias, the conclusion that higher levels of trust significantly promote household consumption remains robust.

Table 7: Results of the Propensity Score Matching Method Tests.

Matching Methods	Sample	Treated	Control	Difference	S.E.	T-test
Nearest Neighbor k-Matching	ATT	54.955	50.166	4.788***	1.425	3.36
Radius Caliper Matching	ATT	54.71	49.939	4.771***	1.341	3.56
Kernel Matching	ATT	54.955	49.672	5.282***	1.351	3.91

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5.3. Mechanism of Action Test

This study primarily considers the mechanisms of increased dining out and increased online shopping. The detailed explanation of how these mediating variables influence household consumption has been provided earlier, so this section focuses solely on verifying the relationship from the key explanatory variable $Beli$ to the mediating variables. For the mechanism of increased dining out, we use "monthly dining out expenditure (in RMB)" $DineOut$ as the mediating variable. To avoid concerns about "circularity" due to the inclusion relationship between total household consumption expenditure and dining out expenses, we also construct a binary variable $DineOutDum$ and employ a binary response model for regression analysis. Specifically, $DineOutDum$ takes a value of 1 if monthly dining out expenditure is positive and 0 otherwise. For the online shopping mechanism, due to the absence of data on monthly online shopping expenditure in the CFPS 2020 database, we directly use the binary variable $ShopOline$ to examine this mechanism. Consistent with the dining out mechanism, we conduct both high-dimensional fixed effects regression and binary response model regression.

Table 8 presents the results of the mechanism analysis. Columns (1) and (3) provide high-dimensional fixed effects regression results, while columns (2) and (4) show the binary response model results. For the dining out mechanism, column (1) shows that when $DineOut$ is the dependent variable, the regression coefficient for $Beli$ is 8.861, significant at the 5% level, indicating that higher household trust significantly increases dining out expenditure, thereby boosting total household consumption. Column (2) shows that when $DineOutDum$ is used as the dependent variable in a binary response model, the coefficient for $Beli$ is 0.11, significant at the 1% level, suggesting that households with higher trust levels are more likely to dine out. Similarly, for the online shopping mechanism, the regression coefficients of Beli in columns (3) and (4) were 0.028 and 0.184, respectively, and both were significant at the 1% significance level, indicating that the improvement of residents' trust level significantly increased the probability of online shopping. Therefore, based on the previous analysis, it can be concluded that the tendency to eat out and the tendency to shop online are two intermediate mechanisms that affect residents' trust on their household consumption, that is, the research hypothesis 2 is verified.

Table 8: Results of Mechanism Analysis.

	(1)	(2)	(3)	(4)
	The mechanism of dining-out inclination		The mechanism of online shopping inclination	
Variables	DineOut	DineOutD	ShopOline	ShopOline
Beli	8.861**	0.110***	0.028***	0.184***
	(4.221)	(0.021)	(0.004)	(0.024)
Control	Yes	Yes	Yes	Yes
County FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
N	8991	8991	8991	8991
adj. R2	0.266		0.261	
pseduo R2		0.171		0.250

5.4. Heterogeneity Analysis

5.4.1. Regional Heterogeneity

China's vast natural geography, resource endowments, and climate diversity have led to distinctive regional cultures and significant differences in social and economic development between the eastern, central, and western regions. These factors may influence household consumption patterns. Therefore, this study divides the sample into an eastern group (East) and a central and Midwest group (MidWest) for sub-sample regression to examine the regional heterogeneity of the effect of household trust on consumption. The estimation results of the heterogeneity analysis are shown in Table 9, columns (1) and (2). Compared to the eastern group, the regression coefficient for $Beli$ in the Midwest group is insignificant both economically and statistically. However, for the eastern group, the coefficient for $Beli$ is 2.003 and significant at the 1% level, with the accompanying Chow and Fisher test results confirming

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the significance of this difference. These findings indicate that the significant effect of household trust on consumption is primarily observed in the eastern region. We propose two possible explanations: first, the eastern region is economically developed, with higher per capita disposable income, making household consumption more elastic with respect to household trust. Second, the eastern provinces were at the forefront of China's economic reforms, resulting in a higher average propensity to consume.

5.4.2. Household Assets

As a state quantity, household assets are a form of wealth with lower liquidity than monetary cash, formed by past cash flows, and better reflect the wealth status of a family. Based on whether per capita net assets exceed the median, the sample is divided into high net asset households (AssetH) and low net asset households (AssetL) for sub-sample regression to explore how wealth influences the relationship between household trust and consumption. Columns (3) and (4) of Table 9 present the heterogeneity results by wealth status, showing that consumption in high net asset households is more sensitive to $Beli$, whereas it is not significant for low net asset households. We interpret these results as follows: High net asset households typically have higher disposable incomes, which leads to greater elasticity of consumption in response to household trust. Moreover, as noted earlier, high net asset households tend to have more stable historical cash flows and are less likely to face financial shortfalls, unlike low net asset households, which tend to have stronger precautionary motives, making their consumption less responsive to trust levels.

5.4.3. Religious Belief Heterogeneity

Previous studies have shown that religious beliefs significantly affect household consumption decisions[34]. For example, He et al. (2021) found that religious beliefs can significantly suppress consumption. Inspired by these findings, we divided the sample into non-religious households (ReligionN) and religious households (ReligionY) to explore how religious beliefs influence the relationship between household trust and consumption. Columns (5) and (6) of Table 9 present the heterogeneity results, showing that consumption in non-religious households is sensitive to household trust, while this sensitivity is not observed in religious households. We propose two explanations for this phenomenon: First, religious beliefs promote self-discipline, frugality, and conservative consumption attitudes[16 17]. Second, prior research suggests that religious beliefs serve a risk-sharing function, reducing the impact of adverse events on subjective well-being [10 37]. Similarly, we suggest that religious beliefs partially compensate for the utility loss due to under-consumption. Therefore, household trust has a more significant effect on consumption in non-religious households, whereas this effect is not evident among religious households.

Table 9: Results of Mechanism Analysis.

	(1)	(2)	(3)	(4)	(5)	(6)
Variables	East	MidWest	AssetH	AssetL	ReligionN	ReligionY
Beli	2.003***	0.078	1.843**	-0.250	1.249***	-0.327
	(0.619)	(0.513)	(0.728)	(0.307)	(0.417)	(1.178)
Chow test	b(1)-b(2)=1.937 P=0.016		b(3)-b(4)=2.666 P=0.000		b(5)-b(6)=2.382 P=0.041	
Fisher test	b(1)-b(2)=1.925 P=0.000		b(3)-b(2)=2.093 P=0.000		b(5)-b(6)=1.575 P=0.000	
Control	Yes	Yes	Yes	Yes	Yes	Yes
County FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
N	3891	5100	4496	4495	7833	1158
adj. R2	0.332	0.314	0.298	0.202	0.280	0.434

5.5. Moderation Analysis

Table 10 presents the results of the moderation analysis. In the linear terms, the coefficient for household trust remains significantly positive, and the coefficients for government administrative efficiency and internet usage are also significant at least at the 10% level, indicating their positive effects on household consumption. In the interaction terms, the coefficients for the interactions between

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government administrative efficiency, internet usage, and household trust are all significantly positive at least at the 10% level, with similar magnitudes to the coefficient for household trust. This suggests that all two factors play an "amplifying" moderating role in the relationship between household trust and consumption—households with higher local government efficiency and more frequent internet use experience a stronger positive impact of trust on consumption.

We propose the following reasons for these results:(1)Higher Government Administrative Efficiency: Improved efficiency in public services facilitates the entry of more businesses and retailers, offering consumers a wider range of products at lower costs. It also streamlines daily procedures, allowing residents to form stable expectations and allocate more time and energy to work and income generation, ultimately increasing consumption for households with higher trust levels.(2)Frequent Internet Usage: More frequent internet use broadens consumer perspectives, breaking the spatial and temporal constraints of traditional consumption modes and enabling access to a variety of products. From a network externalities perspective, internet-driven marketing strategies, such as influencer promotions and "grass-planting" showcases, may significantly stimulate consumer desire.

Table 10: Results of the moderation effect analysis.

	(1)	(2)	(3)	(4)
Variables	Consu	Consu	Consu	Consu
C_Beli	1.025**	1.066**	0.901**	0.906**
	(0.407)	(0.413)	(0.406)	(0.402)
C_AdmEff	2.102*	2.321**		
	(1.098)	(1.105)		
C_Beli × C_IntUse		1.494**		
		(0.702)		
C_IntUse			0.361***	0.336***
			(0.112)	(0.113)
C_Beli × C_IntUse				0.089*
				(0.050)
Control	Yes	Yes	Yes	Yes
County FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
N	8991	8991	8991	8991
adj. R2	0.320	0.321	0.321	0.322

Note: The prefix "C_" indicates that the corresponding variable is decentralized.

5.6. Household Trust Level and Consumption Upgrading

Trust levels influence not only the total household consumption but also the consumption structure. This study focuses on analyzing the effect of trust levels on the share of basic survival consumption ($ConsSurv$), the Engel coefficient ($Engle$), and the consumption upgrade index ($ConsUp$). Table 11 presents the empirical results, showing that the regression coefficients of $ConsSurv$, $Engle$, and $ConsUp$ with respect to $Beli$ are all significantly negative at least at the 5% level, with values of -0.338, -0.521, and 0.473, respectively. This indicates that, on average, a one-unit increase in trust level results in a 0.338% and 0.521% reduction in survival consumption share and the Engel coefficient, respectively, while the consumption upgrade index increases by 0.473%. These findings suggest that households with higher trust levels are less focused on meeting basic needs like food and shelter and are more motivated to consume goods and services related to education, entertainment, and culture. There are two possible explanations for this result: First, individuals with higher trust levels tend to have more confidence in their social environment and greater optimism regarding future expectations, which weakens precautionary motives and increases the marginal propensity to consume. Second, higher trust levels lead to more optimistic evaluations of the quality and utility of non-essential goods, making these individuals more inclined to engage in discretionary consumption.

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Table 11: Analysis Results of Trust Levels and Consumption Upgrading.

	(1)	(2)	(3)
Variables	ConsSurv	Engle	ConsUp
Beli	-0.338**	-0.521***	0.473***
	(0.165)	(0.156)	(0.149)
Control	Yes	Yes	Yes
County FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
N	8991	8991	8991
adj. R2	0.104	0.125	0.132

6. Conclusion and Implications

This paper empirically studies the impact of residents' trust level on household consumption and its structure by using the balanced panel data constructed from the data of CFPS2016, 2018 and 2020, and finds that (1) residents' trust level significantly affects their household consumption and promotes consumption upgrading, and this significant relationship is still stable after multiple robustness tests, (2) the mechanism study shows that the tendency to eat out and the tendency to shop online may be two intermediate mechanisms for residents' trust level to affect their household consumption expenditure. (3) The heterogeneity research structure shows that the relationship between residents' trust level and household consumption expenditure mainly exists in the eastern group, the high-net-worth group and the non-religious group, and (4) the government administrative efficiency and Internet use play a positive moderating role in this relationship.

Based on the results of this paper, the relevant enlightenments that can be drawn are as follows: (1) the construction of a social credit system dominated by government credibility, focusing on residents' trust, and commercial trust, including online and offline, and striving to create a social atmosphere with sufficient trust and stable expectations; (2) Accelerate the establishment and improvement of punishment systems for untrustworthiness, severely cracking down on all kinds of untrustworthy conduct, so that the untrustworthy have no profit and nowhere to hide; (3) Improve the social security system and income distribution system, implement the strategy of coordinated regional development, and strive to ensure that the fruits of development are shared by all people.

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