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RESEARCH ARTICLE

Sustainable banking and trust in the global South

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Abstract

Trust in banking plays a significant role in promoting financial inclusion. Multinational banks (MNBs) have the potential to enhance trust by adopting sustainable banking practices. We investigate the impact of MNBs' adoption of ESG (Environmental, Social and Governance) practices on trust in banking in 38 developing countries. Using an instrumental variable approach and control function estimation, our findings indicate that sustainable practices by commercial MNBs are positively and significantly associated with increased trust in banking. The results remain consistent across different samples, lending robustness to our findings. By demonstrating the importance of sustainable banking in fostering trust, this study contributes to the limited literature on trust in banking in the global South.

1 | INTRODUCTION

Financial services, often characterised by their intangible nature, present unique challenges for consumers disadvantaged by widespread information asymmetries (Akerlof, 1970). Many financial products heavily rely on the quality of credence that they merit, underscoring the pivotal role of advice from financial professionals. Consequently, the perceived risk in purchasing numerous financial products tends to be significantly high. In such a context, trust is paramount as a cornerstone of undertaking risk. Trust represents a generalised expectation regarding the future conduct of financial institutions. Trust in banks is widely acknowledged as a critical factor in the smooth operation of any financial system (Carbó-Valverde et al., 2013; Fungáčová et al., 2019; Jansen et al., 2015; Knell & Stix, 2015; Sapienza & Zingales, 2012). It encompasses individuals' confidence not only in the stability of financial institutions but also in the integrity of bankers. Additionally, the World Bank advocates implementing international standards to enhance the institutional capacity of the public sector in developing countries, aiming to foster social trust (Ward, 2004).

Social capital emerges as a pivotal factor in nurturing trust in the financial system (Guiso et al., 2004; Lins et al., 2017). The civic engagement facet of social capital encompasses activities through which individuals actively contribute to their communities and social life, which fosters trust. Organisations, including banks, play a crucial role in building and storing social capital, particularly with sustainability initiatives (Lins et al., 2017). These efforts bolster social

capital and cultivate trust among stakeholders. Thus, sustainability actions can constitute an effective way to build social capital and trust for companies (Lins et al., 2017; Sacconi & Antoni, 2010). The Edelman Trust Barometer, a global survey measuring attitudes of trust, reports that the banking and financial services industry is among the least trusted in the world (just slightly above social media). Of all the countries exhibiting net negative trust in banking, 74% were located in the developing world (Edelman, 2021). The imperative for trust in the banking sector is certainly pronounced in these countries (Bugandwa et al., 2021).

While there is a counterargument regarding the effects of MNBs on financial development in less developed countries (Detragiache et al., 2008), their influence on fostering confidence in the banking sector remains unexplored. Specifically, the objective of this paper is to investigate whether the adoption of sustainable banking practices by MNBs enhances trust in banking in developing countries. We use the World Values Survey to build our sample, which encompasses 80,112 randomly selected individuals across 38 countries in the global South. Utilising the ESG scores by Thomson Reuters, we build an index to gauge the sustainability of commercial MNBs operating within these 38 countries. Our analytical approach employs a multilevel ordered probit regression model. Remarkably, our findings indicate that while the mere presence of MNBs in the global South exerts a negative impact on trust in banking, their sustainable activities (if present) emerge as a powerful driver enhancing levels of trust.

Policy Implications

- Policymakers in the global South should incentivise ESG adoption by MNBs. These sustainable practices can be transformative in repairing trust and building social capital in regions where scepticism towards the banking sector runs high.
- Governments should foster consistency and comparability by establishing a clear set of ESG standards tailored to the global South. This would help MNBs understand and align their practices with region-specific sustainability goals.
- Public and private officials should encourage collaboration by establishing platforms where MNBs, local banks and stakeholders can collaborate on ESG initiatives, pooling resources, knowledge and best practices from the global South.
- Banking officials should be encouraged to initiate or participate in community-based projects or activities that drive civic engagement. Such participation directly ties into building social capital, fostering trust among the public in the global South.
- Banking practitioners should launch public campaigns to highlight the connection between ESG practices and trustworthy banking. This will enable potential customers from the global South to make informed banking choices and increase demand for responsible banking.

1.1 | Trust-building in the global South: ESG adoption by MNBs

The different actors in the financial system can propel trust or mistrust in banking. From the side of public institutions, a robust public sector which can lay down minimum standards of behaviour and enforce them forms the bedrock of institutionalised trust (Acemoğlu & Robinson, 2001). If the public sector does not constitute a reliable source of trust because of the existence of institutional weaknesses, another possible solution to increase trust arises from economic actors who can provide 'spontaneous private order' as a substitute for the order that public authorities fail to produce (McMillan & Woodruff, 2000). This is realised in diverse contrivances such as complex contracts, reputation management, adherence to ethical norms, and self-governance within and between firms and industries. By its members partaking in and contributing to this emergent order, whole industries can work out their own rules and systems to cement cooperation, resolve disputes, and maintain stability within their respective realms.

In this context, social capital emerges as a pivotal factor in nurturing trust within the financial system (Guiso et al., 2004). Social capital, particularly its civic engagement facet, pertains to activities through which individuals actively contribute to their communities and social life (Dubos, 2017), thereby fostering trust (Sobel, 2002). Firms, including financial institutions, play a crucial role in building social capital, primarily through sustainability initiatives (Lins et al., 2017). Such efforts reflect a company's commitment to responsible practices which, in turn, bolster its social capital and cultivate trust among stakeholders.

The firm's sustainability actions evidence its focus on its stakeholders (Friedman & Miles, 2006), and this focus on stakeholders constitutes the cornerstone for building social capital and trust (Russo & Perrini, 2010). Sustainability actions exert a substantial influence on stakeholder attitudes and behaviours (Peloza & Shang, 2011), can lead to increased customer loyalty (Du et al., 2007), a willingness to pay premium prices

(Creyer & Ross, 1996), and fewer attributions of blame in times of crisis (Forcadell & Aracil, 2021; Klein & Dawar, 2004; Lins et al., 2017). The link between the social capital propelled by sustainable actions and trust in banking is particularly pronounced in less developed countries, where a combination of factors such as weak institutions, corruption scandals, financial crises, and conflicts has traditionally eroded trust in the banking sector (Bugandwa et al., 2021).

MNBs operating in the global South can be well-suited to generate trust in banking through their social capital being invested in these countries (Lu, 2007). They become accustomed to business climates characterised by financial sector distrust when they extend their operations to developing markets (Cárdenas et al., 2003; Clarke et al., 2001; Johnson, 1998). Pervasive distrust and the fragility of public institutions compel them to utilise both market and non-market strategies to navigate such complex environments (Boddewyn, 2003). Nevertheless, despite their international presence, organisational magnitude, and market pervasiveness, critics like Stiglitz (2005) argue that MNBs have a minimal impact on *local* trust. They contend that MNBs focus on transacting with commercial and political elites, often overlooking the most financially excluded segments of the population (Azmeh, 2018; Focarelli & Pozzolo, 2005). In the face of the contradictory influence that MNBs can exert on trust in banking in their host (developing) countries, we argue that deploying sustainability activities may enable MNBs to build local social trust. In this way, MNBs can overcome the shortcomings of traditional banks' business models that hinder trust in the developing countries where they operate.

Thus, among the non-market activities that can generate social capital and trust, MNBs do well to incorporate the ESG criteria into their business models, yielding sustainable banking (Aracil et al., 2021). These sustainable actions in markets where trust is scarce foster positive perceptions by the public of financial enterprises known to be committed to sustainable values (i.e., social capital) (Jørgensen et al., 2022). When MNBs are perceived to be sustainable, their ethical banking practices inspire the communities they serve to venture proactive trust in them, in return (Tischer, 2013). Sustainable MNBs inspire trust by 'translating' the ESG criteria into a business model that works when taken up by real people, like bank managers, who affect other real people, like clients willing to deposit their money in bank accounts, who before were unlikely customers at best (Zucker, 1986).

Such sustainable banking practices spark off a 'process of trust repair' (Ritzer-Angerer, 2018, p. 97) that renormalises business on a socially trusting basis. Trust repair may be a time-consuming, uphill slog, particularly in the global South, due to the effort that is required to roll back trust already in decline. Yet, sustainable MNBs bear the potential to ignite this process by assuming the role of trusted intermediaries. They generate social capital by acting as sometimes disinterested advisors to the customer, which builds up a relational practice that has proved fundamental to repairing trust. Given the above, we propose the following hypothesis:

> **Hypothesis 1.** The sustainability actions of MNBs positively contribute to building trust in the banking sector in the global South.

2 | DATA AND METHODS

We gathered data from various sources to construct our dependent variable: trust in banking, represented as $BTrust_{ij}$, for individual *i* within country *j*. This trust measure is derived from the World Values Survey (WVS), as previously utilised by researchers (Bjørnskov, 2007; Guiso et al., 2004; Masoud & Albaity, 2022). In the WVS, survey participants are asked to assess their level of confidence in the banking sector using a four-point scale, where responses range from one to four (Ahunov & Van Hove, 2020; Buriak et al., 2019; Fungáčová et al., 2019). For more detailed information, please refer to Annex 1, Table 4. Our dataset consists of responses from 80,112 randomly selected individuals across 38 countries in the global South.[1]

Given that the interpersonal trust level is stable over time (Bjørnskov, 2007), we have selected the year closest to 2017 from the surveys conducted in 2010–2014 and 2017–2021. This approach allows us to capture a reliable snapshot of trust levels, which tend to exhibit relative stability over time. However, trust in the banking sector proves to be highly susceptible to the occurrence of banking crises (Knell & Stix, 2015). The database developed by Nguyen et al. (2022) has allowed us to confirm that, in the 2 years leading up to the survey, a country has remained free of any banking crises.

To assess the sustainability performance of foreign commercial banks operating within host countries, we employ Thomson Reuters ESG scores (Cheng et al., 2014; Dahlsrud, 2008) for their respective headquarters. Additionally, we draw upon data from the BankScope database to determine the presence of MNBs in each host country (denoted 'country *j*'). Specifically, our proposed metric, denoted SB_j, captures the sustainability levels of these foreign banks in the host country. SB_j is calculated as follows:

$$SB_j = \sum_{i=1}^{k_j} \frac{A_{ij}^f}{A_j} SB_{ij}$$

where k_j represents the number of foreign bank subsidiaries operating within country j, SB_{ij} stands for the sustainability index of the headquarters of foreign bank i located in country j, A_j corresponds to the total assets of all commercial banks operating within country j, and A_{ij}^f represents the total assets of foreign commercial banks operating within country j.

To gauge the presence of commercial MNBs within a host country j, we employ the following formula:

$$MB_j = \sum_{i=1}^{k_j} \frac{A_{ij}^f}{A_j}$$

We source our data from the BankScope database provided by Bureau van Dijk and Fitch Ratings (Ahamed et al., 2021; Claessens & Van Horen, 2015). We define a bank as a subsidiary if its majority ownership (more than 50% of shares) lies with headquarters H. In our formulation, A_{ij}^d represents the total assets controlled by domestic commercial banks, and A_{ij}^f represents those controlled by MNBs; therefore, $A_j = \sum_{i=1}^{n_j} A_{ij}^d + A_{ij}^f$ is bank total assets in country j, where n_j is number of banks in country j. Our dataset encompasses 494 commercial banks across 38 developing countries, of which 197 are identified as subsidiaries of MNBs. This methodology offers valuable insights into the presence and impact of MNBs within host countries.

Besides the sustainability actions of banks, Van der Cruijsen et al. (2023) have identified, on the basis of the available empirical evidence, the drivers of trust in financial institutions. This will allow us to propose the control variables that we will use. The first group of variables are related to individual characteristics of potential clients, like interpersonal trust, gender, marital status, age, education and income levels, information sources used, religious affiliation, sensitivity to the environment, respect for democratic rules, sensitivity to inequalities, opinion of the role of government in the economy, belief in the positive effects of competition, and political preferences. The second group of variables are related to the context of bank activity in the global South, like MNBs' presence, and the level of microfinance activity (See Annex 1: Table 4). Descriptive statistics are presented in Table 1.

To test the hypothesis, we analyse the impact of sustainable practices of MNBs on trust in banking. It is worth noting that while our dependent variable, trust in banks, is measured at the individual level (level 1), the variables related to the presence and sustainability of MNBs, along with several control variables, are estimated at the country level (level 2). This introduces a hierarchical or multilevel structure to our data, where individual observations are nested within countries. This multilevel data structure violates the assumption of the independence of observations, which is a critical assumption underlying ordinary regression analysis. Failure to account for this hierarchical structure can lead to downwardly biased standard errors, potentially compromising the validity of our statistical inferences (Krull & MacKinnon, 2001; Preacher et al., 2010). To address this challenge and provide a more accurate analysis, we employ a multilevel ordered probit regression model. This approach allows us to properly account for the hierarchical nature of our data, ensuring that our estimates and inferences are robust and unbiased:

$$BTrust_{ij} = \beta_1 + \beta_2 SB_j + \beta_3 MNB_j + \beta_3 CV_{ij} + \zeta_{1j} + \epsilon_{ij} \quad (1)$$

where $BTrust_{ij}$ is the level of trust in banks of individual i in country j. The coefficient β_2 measures the effect of sustainable practices of MNBs on trust in banks; if the sign of β_2 is positive, it would provide empirical support for hypothesis *H1*. Additionally, β_3 measures the effect of MNB presence on country j irrespective of the level of sustainability of their actions. CV_{ij} are the control variables. ζ_{1j} is the intercept, which varies over individuals, and $\zeta_{1j} \sim N(0, \psi_{11})$. ϵ_{ij} are the errors and $\epsilon_{ij} \sim N(0, \theta)$.

The model as currently specified may be susceptible to endogeneity concerns arising from the omission of country-specific effects and potential issues of simultaneity. This is particularly important given the emphasis placed by Bjørnskov (2007) on the necessity of addressing endogeneity when examining trust. Specifically, variables such as income distribution and education levels, while typically treated as exogenous, cannot be considered entirely free from potential simultaneity issues. As highlighted in studies by Fungáčová et al. (2019) and Knell and Stix (2015), and further echoed by Neaime and Gaysset (2018), there exists a risk of bidirectional causality or feedback loops between trust in banks and these socio-economic factors. This complex interplay could introduce bias into our estimates and underscores the importance of considering endogeneity in our analytical framework.

Employing a control function approach, following the standard two-stage method outlined by Wooldridge (2015) provides a viable strategy to mitigate, if not entirely resolve, concerns about endogeneity bias and uncertainties as to causality direction. In our control function specification, we incorporate instrumental variables recommended by Bjørnskov (2007) and Xu (2020). These instrumental variables include $GDP.pc_j$, representing the GDP per capita of country j; $Population_j$, which accounts for the adult population in country j; and $Free_j$, reflecting the level of human freedom in the same context (See Annex 1: Table 4). This comprehensive approach allows us to address potential endogeneity issues effectively using these instrumental variables to better capture the causal relations among the variables under study. It contributes to enhancing the robustness and reliability of our model's estimates and, consequently, to the validity of our findings.

TABLE 1 Descriptive statistics.

Variable	Mean	Std. dev.	Min	Max
$BTrust_{ij}$	2.592	0.965	1.000	4.000
SB_j	62.988	24.886	0.000	86.588
MNB_j	0.194	0.170	0.000	0.887
$Trust_{ij}$	0.223	0.416	0.000	1.000
$Gender_{ij}$	0.521	0.500	0.000	1.000
$Married_{ij}$	0.562	0.496	0.000	1.000
Age_{ij}	40.916	15.963	16.000	103.000
$Educ_{ij}$	0.682	0.466	0.000	1.000
$Inc(2)_{ij}$	0.069	0.254	0.000	1.000
$Inc(3)_{ij}$	0.116	0.321	0.000	1.000
$Inc(4)_{ij}$	0.141	0.348	0.000	1.000
$Inc(5)_{ij}$	0.230	0.421	0.000	1.000
$Inc(6)_{ij}$	0.148	0.355	0.000	1.000
$Inc(7)_{ij}$	0.113	0.317	0.000	1.000
$Inc(8)_{ij}$	0.063	0.243	0.000	1.000
$Inc(9)_{ij}$	0.016	0.127	0.000	1.000
$Inc(10)_{ij}$	0.016	0.125	0.000	1.000
$Newspaper_{ij}$	0.218	0.413	0.000	1.000
$Television_{ij}$	2.474	0.907	1.000	4.000
$Religious_{ij}$	0.689	0.463	0.000	1.000
$Protestant_{ij}$	0.060	0.237	0.000	1.000
$Hindu_{ij}$	0.032	0.177	0.000	1.000
$Buddhist_{ij}$	0.043	0.203	0.000	1.000
$Atheist_{ij}$	0.153	0.360	0.000	1.000
$Ecology_{ij}$	0.509	0.500	0.000	1.000
$Democracy_{ij}$	8.258	2.166	1.000	10.000
$Equality_{ij}$	5.740	3.088	1.000	10.000
$Government_{ij}$	5.801	2.874	1.000	10.000
$Micro_j$	1423.368	4409.093	0	24,684.67
$Competition_{ij}$	3.985	2.781	1.000	10.000

3 | RESULTS

The introduction of the instrumental variable $Free_j$ requires a reduction in our sample size. Consequently, we initially estimate the control function, excluding this variable. In Model 1 (Table 2), the coefficients of SB_j and MNB_j emerge as statistically significant. Notably, SB_j demonstrates a positive correlation, while MNB_j exhibits a negative association. It is important to highlight the significance of the lambdas' coefficients, indicating effective control for endogeneity. These findings imply that the presence of MNBs may reduce confidence in the banking sector. Conversely, the adoption of sustainability practices by MNBs exerts a positive influence on trust, firmly substantiating our Hypothesis.

To evaluate the impact of bank sustainability on confidence levels, we conducted a comprehensive marginal effect analysis for the bank sustainability variable (SB_j). As illustrated in Table 3, a one-unit increment in SB_j corresponds to a notable shift in confidence probabilities. Specifically, it indicates an estimated decrease of 0.068 and 0.052 in the likelihood of individuals falling into low confidence levels (1 and 2), respectively. Conversely, it indicates an increase of 0.032 and 0.088 in the probability of individuals falling into high trust levels (3 and 4), respectively. These findings underscore the substantial influence wielded by the SB_j variable on individuals' confidence in the banking sector, clearly evident in the significant alterations in probabilities across varying confidence levels.

In Model 2 (Table 2), where we introduced the instrumental variable $Free_j$, our analysis continued to yield consistent outcomes. Notably, the coefficient of SB_j retains its positive sign and maintains statistical significance at the 1% level. This persistently positive and

TABLE 2 Multilevel ordered probit regression with control function.

	$BTrust_{ij}$	
	Model 1	**Model 2**
SB_j	0.004****	0.004****
	(0.001)	(0.001)
MNB_j	−0.394**	−0.321**
	(0.189)	(0.162)
λ_{Inc}	2.249****	2.260****
	(0.259)	(0.259)
λ_{Educ}	9.307****	7.774***
	(2.375)	(2.291)
Instrumental variables (1st stage)		
Inc_j		
$GDP.pc_j$	0.000****	0.000****
	(0.000)	(0.000)
$Free_j$		0.115****
		(0.015)
$Population_j$	−0.100****	−0.079****
	(0.009)	(0.010)
$Educ_j$		
$GDP.pc_j$	0.000****	0.000****
	(0.000)	(0.000)
$Free_j$		0.122****
		(0.006)
$Population_j$	−0.104****	−0.142****
	(0.004)	(0.004)
$Wald - \chi^2_1$	7770.060****	7166.160
VIF max	7.070	2.690
LR-test	5129.520****	3817.920****
Observations	80,113	73,759
Countries	38	34

Note: Bootstrapping: 1000 replications. Control variables are not shown, results are available on request.

**$p < 0.05$; ***$p < 0.01$; ****$p < 0.001$.

TABLE 3 Marginal effects for the bank sustainability (SB_j) variable.

Level of bank trust	**Marginal effect**
1 (very low)	−0.068****
	(0.015)
2	−0.052****
	(0.011)
3	0.032****
	(0.009)
4 (very high)	0.088****
	(0.019)

****$p < 0.001$.

significant coefficient indicates that a heightened adoption of sustainable practices by MNBs translates into an elevated level of trust in the banking sector across the global South. These results provide substantial support for our Hypothesis.

To enhance the robustness of our findings, we extended our analysis to two additional samples. The first sample encompasses countries where ESG-rated MNBs control more than 40% of total assets, while the second sample includes countries where this percentage exceeds 60%. In both scenarios, we consistently observe a positive and statistically significant coefficient for SB_j. This persistent trend underscores that the favourable association between sustainable practices of MNBs and trust in the banking sector remains valid across escalating thresholds of ESG-rated MNBs' asset control.

4 | CONCLUSION

Our empirical findings robustly support our hypothesis: MNBs, by embracing ESG practices, possess the potential to bolster trust in the banking sector within the Global South. This discovery significantly augments the ongoing discourse surrounding the determinants of trust in banking. Notably, it underscores the pivotal role of sustainability as a central factor in nurturing trust among various stakeholders. This aligns with the theoretical viewpoints articulated by esteemed scholars such as Guiso et al. (2004), Lins et al. (2017), and Russo and Perrini (2010). Furthermore, this observation is consistent with the academic discussion centred on the economic value attributed to ethical practices, as extensively examined by researchers like La Porta et al. (1997) and Stiglitz (1999).

The impact of MNBs on the financial development of countries continues to be a subject of ongoing debate. Our results shed light on a previously underexplored aspect: the extent to which sustainability initiatives can profoundly reshape the influence of MNBs within complex institutional environments. This introduction of a novel dimension enriches the scholarly discourse in a meaningful way. Specifically, our study highlights the transformative potential of ESG principles in nurturing trust when embraced by MNBs operating in the Global South. The implications for policymakers are significant: advocating for and facilitating ESG practices among MNBs could enhance social capital and engender public trust in banking within the Global South. This, in turn, positively contributes to the fortification of the financial system's functioning, ultimately promoting economic stability and resilience.

While the World Values Survey enables us to examine trust in banking among individuals across various countries worldwide, it is important to acknowledge its limitations. The survey's structure, for instance, does not permit the conduct of a panel analysis, which could

have undoubtedly enriched our results. Additionally, the scarcity of available ESG indices for domestic banks and many MNB subsidiaries posed a challenge, which we mitigated by utilising the parent company's sustainability indices. Developing a similar measure based on subsidiary-specific indices could enhance measurement accuracy. Future research endeavours should delve into how MNBs can adapt their ESG practices within diverse cultural and socio-economic contexts, optimising the trust-building process.

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CONFLICT OF INTEREST STATEMENT

There is no conflict of interest.

DATA AVAILABILITY STATEMENT

The data that support the findings of this study are available from eikon refinitiv. Restrictions apply to the availability of these data, which were used under license for this study. Data are available from https://www.refinitiv.com/ with the permission of eikon refinitiv.

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ENDNOTE

[1] Argentina, Armenia, Azerbaijan, Bangladesh, Bolivia, Brazil, Chile, China, Colombia, Ecuador, Egypt, Ethiopia, Ghana, Guatemala, Haiti, India, Indonesia, Iraq, Jordan, Kazakhstan, Kyrgyzstan, Lebanon, Malaysia, Mexico, Morocco, Nicaragua, Nigeria, Pakistan, Peru, Philippines, Russia, Rwanda, Thailand, Tunisia, Turkey, Ukraine, Vietnam, Zimbabwe.

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ANNEX 1

TABLE 4 Variable definition.

Name	Definition
Dependent variable	
Trust in Banks: $BTrust_{ij}$	Variable based on response to the question: 'Could you tell me how much confidence you have in banks?' Scoring: None at all (1), Not very much confidence (2), Quite a lot of confidence (3), or A great deal of confidence (4), (Buriak et al., 2019; Fungáčová et al., 2019). *Source*: WVS (V121).
Independent variable	
Index of sustainability practices of MNBs in country *j*: SB_j	$SB_j = \sum_{i=1}^{k_j} \frac{A_{ij}^f}{A_j} SB_{ij}$ k_j: Number of foreign subsidiaries in country *j*. *Source*: BankScope A_j: Sum of total assets of the commercial banks located in country *j*. *Source*: BankScope A_{ij}^f: Sum of total assets of foreign commercial banks located in country *j*. *Source*: BankScope SB_{ij}: Index of sustainability of foreign banks *i* located in the country *j*. The index score is estimated for Thompson Reuters for headquarters of multinational banks. *Source*: Thompson Reuters.
Control variable	
Interpersonal Trust. $Trust_{ij}$	Dummy variable equal to 1 if respondent answers: 'Most people can be trusted' to the question: 'Generally speaking, would you say that most people can be trusted or that you need to be very careful in dealing with people?' Zero otherwise. (Bjørnskov, 2007; Buriak et al., 2019; Fungáčová et al., 2019) *Source*: WVS (A165).
Gender $Gender_{ij}$	Dummy variable equal to 1 if the individual is a female and 0 otherwise (Carbó-Valverde et al., 2013; Fungáčová et al., 2019; Knell & Stix, 2015). *Source*: WVS (X001).
Married $Married_{ij}$	Dummy variable equal to 1 if the individual is married and 0 otherwise (X007) (Carbó-Valverde et al., 2013; Fungáčová et al., 2019; Knell & Stix, 2015). *Source*: World Values Survey.
Age Age_{ij}	Age in years. (Carbó-Valverde et al., 2013; Fungáčová et al., 2019; Jansen et al., 2015; Knell & Stix, 2015). *Source*: WVS.
Incomes $Inc(d)_{ij}$	Ordinal variable from 1 to 10 of self-reported level of income of the respondent relative to his country. It is based on the question: 'On this card is an income scale on which 1 indicates the lowest income group and 10 the highest income group in their country'. We use nine dummy variables equal to 1 if the individual belongs to the different income levels (Bjørnskov, 2007;Buriak et al., 2019; Carbó-Valverde et al., 2013; Fungáčová et al., 2019; Jansen et al., 2015; Knell & Stix, 2015). *Source*: WVS (X047).
Education $Educ(d)_{ij}$	Ordinal variable from 1 to 3 of the self-reported level of education. 1 = completed primary or less, 2 = secondary, and 3 = completed tertiary or more (Buriak et al., 2019; Carbó-Valverde et al., 2013; Fungáčová et al., 2019; Jansen et al., 2015; Knell & Stix, 2015). *Source*: WVS (X05R).
Information *source*: Newspaper $Newspaper_{ij}$	Dummy variable equal to 1 if the respondent has read a newspapers in the last week to learn what is going on in their country and the world (Fungáčová et al., 2019). *Source*: WVS (E248).
Information *source*: Television $Television_{ij}$	Dummy variable equal to 1 if the individual answers this question in the affirmative: 'People use different sources to learn what is going on in their country and the world. For news broadcasts on radio or TV, please indicate whether you used it last week or did not use it last week to obtain information' (Fungáčová et al., 2019). *Source*: WVS (E249).
Religious person $Religious_{ij}$	Dummy variable takes value 1 if the respondent is religious (Fungáčová et al., 2019). *Source*: World Values Survey (F034).
I profess the religion: Protestant $Protestant_{ij}$	Dummy variable equal to 1 if the respondent declares he or she belongs to Protestant religion and 0 otherwise. (Bjørnskov, 2007; Fungáčová et al., 2019). *Source*: WVS (F025_01).
I profess the religion: Hindu $Hindu_{ij}$	Dummy variable equal to 1 if the respondent declares he or she belongs to Hindu religion and 0 otherwise. (Fungáčová et al., 2019). *Source*: WVS (F025_01).
I profess the religion: Buddhist $Buddhist_{ij}$	Dummy variable equal to 1 if the respondent declares he or she belongs to Buddhist religion and 0 otherwise. (Fungáčová et al., 2019). *Source*: WVS (F025_01).
Ecologism. $Ecology_{ij}$	Dummy variable equal to 1 if the respondent selects the following answer to this question: 'Here are two statements people sometimes make when discussing the environment and economic growth. Which of them comes closer to your own point of view?' The value is 1 for the answer: 'Protecting the environment should be given priority, even if it causes slower economic growth and some loss of jobs.' The value is zero for the rest of the answers. (Fungáčová et al., 2019). *Source*: WVS (B008).

TABLE 4 (Continued)

Name	Definition
Democracy. $Democracy_{ij}$	'How important is it for you to live in a country that is governed democratically? On this scale where 1 means it is 'not at all important' and 10 means 'absolutely important' what position would you choose?' (Bjørnskov, 2007; Fungáčová et al., 2019). *Source*: WVS (E235).
Equality. $Equality_{ij}$	Variable from 1 to 10 with 10 meaning full support for the position: 'We need larger income differences as incentives for individual effort.' (Fungáčová et al., 2019). *Source*: WVS (E035).
Government role. $Government_{ij}$	Variable from 1 to 10 with 10 meaning full support for the position: 'Government ownership of business and industry should be increased' (Fungáčová et al., 2019). *Source*: WVS (E036).
Competition. $Competition_{ij}$	Variable from 1 to 10 with 10 meaning full support for the position: 'Competition is harmful. It brings out the worst in people'. (Fungáčová et al., 2019). *Source*: World WVS (E039).
Personal political preferences. $Politic_{ij}$	Individual political preferences of individual *i* in country *j*. The value should be between 1 and 10, the higher the value the greater the predisposition towards right-wing positions. *Source*: World Values Survey (E033).
Multinational Bank Presence MNB_j	The percentage of assets controlled by the foreign subsidiaries located in country *j* $MB_j = \sum_{i=1}^{k_j} \frac{A_{ij}^f}{A_j}$ (Ahamed et al., 2021; Claessens & Van Horen, 2015) k_j: Number of foreign subsidiaries in country *j*. *Source*: BankScope A_j: Sum of total assets of the commercial banks located in country *j*. *Source*: BankScope A_{ij}^f: Sum of total assets of foreign commercia banks located in country *j*. *Source*: BankScope
Microfinance activity ($Micro_j$)	Is measured with use Average Deposit Account Balance/GNI per Capita. The data has been provided by Microfinance Information Exchange Inc. (MIX).
Instrumental variable	
GDP per capita. $GDP.pc_j$	GDP per capita is gross domestic product divided by midyear population. GDP per capita. Data are in constant 2015 U.S. dollars (Bjørnskov, 2007; Buriak et al., 2019; Fungáčová et al., 2019) *Source*: World Development Indicators.
Human Freedom. $Free_j$	Continuous Variable. Quartile of index of human freedom: 1 = high freedom to 4 = low freedom (Bjørnskov, 2007). *Source*: Freedom House.
Population. $Population_j$	Logarithm of adult population (Bjørnskov, 2007; Xu, 2020) *Source*: Global Findex 2017.

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