

The Effect of Fiscal Policy Literacy on Public Trust in The Government

Arnita Sumule*, Risna Amanda Putri, Abdul Rivai, Intam Kurnia, Erdiyansyah

Faculty of Social and Political Sciences, Public Administration Study Program, Universitas Tadulako, Palu, Indonesia

Email: ^{1,*}arnitasumule304@gmail.com, ²mandaaa978@gmail.com, ³abdurivai@gmail.com, ⁴kintam68@gmail.com, ⁵erdiyansyah@gmail.com

Correspondence Author Email: arnitasumule304@gmail.com

Submitted: 04/12/2025; Accepted: 08/01/2026; Published: 25/01/2026

Abstract—The purpose of this study is to investigate the relationship between fiscal policy literacy (X) and public trust in the government (Y). The main focus of this study is the lack of public understanding of fiscal policy instruments, objectives, and mechanisms, which can affect their perceptions of transparency, accountability, and effectiveness of government budget management. To ensure participants understood fiscal policy, this study was conducted in Palu City and involved 35 respondents selected purposively. This study used a quantitative approach and collected data through questionnaires. The extent to which fiscal policy literacy affects the level of public trust was measured through simple linear regression data analysis. This study emphasizes the importance of improving fiscal policy literacy as a strategic step to increase legitimacy and public trust in the government because the findings show that public understanding of fiscal policy is positively and significantly correlated with public trust. The analysis results show that an R value of 0.403 indicates a weak to moderate relationship between variables X and Y. An R Square value of 0.162 indicates that variable X can only explain 16.2% of the variation in variable Y, while the remaining 83.8% is influenced by other factors outside the model. These findings show that variable X has an effect, but is not a dominant factor on variable Y.

Keywords: Fiscal Literacy; Public Trust; Government Transparency; Accountability; Quantitative Survey

1. INTRODUCTION

Government revenue and expenditure policies, as represented in the state budget (APBN) and regional budget (APBD), are crucial for maintaining macroeconomic stability, promoting growth, and providing public services. However, the success of fiscal policies is determined not only by how they are designed in technocratic terms, but also by how the public understands the objectives, mechanisms, and effects of these policies. This study is also based on the concept of public participation in decision-making as one of the key factors in institutional capacity development (Rivai dkk., 2024). The government, as a service provider, development organizer, and regulator and manager of society, is responsible for creating peace, order, and prosperity for the people. In order for the public to assess policies rationally, make decisions about the budget, and maintain trust in the government, it is important for them to understand fiscal policy, which includes public understanding of fiscal instruments, budget priorities, and the consequences of such policies. According to data from the Central Statistics Agency (BPS), the female labor force participation rate in Indonesia in 2023 reached 54.5%, much lower than that of men, which reached 84.3%. This difference is largely due to domestic responsibilities and limited access to formal employment. Public trust in the government has changed since the pandemic, according to cross-country data. This change is largely influenced by perceptions of government transparency and their ability to make fiscal policy ((OECD, 2024), t.t.).

Although financial and fiscal literacy programs have been implemented by governments in many places, including Indonesia, it appears that the general public still lacks understanding of the technical aspects of fiscal policy. Misunderstandings, rejection of policies such as tax reform or redistribution of spending, and loss of public trust can be caused by this lack of literacy. Furthermore, there is little empirical evidence linking fiscal policy literacy to public trust in central or local government. However, previous research has focused more on the relationship between general fiscal policy literacy and individual economic behavior or trust in financial institutions, such as central banks. Governments increase their revenues to pay for all expenditures through various types of taxes, and any resulting deficits are financed through borrowing (Bonaraja purba, 2024, t.t.). This raises the need for research that looks at how public trust in fiscal policy is directly affected. This research should be conducted in developing countries (Huda dkk., 2024a). The House of Representatives (DPR) and political parties have also experienced a significant decline in trust. Trust in the DPR fell from 40% to 30%, while trust in political parties fell from 35% to 28%. This is consistent with trends that have been widely reported in national surveys, in which legislative bodies and political parties are often the institutions with the lowest levels of public trust due to negative perceptions regarding their performance, representation, and various political cases that have emerged in the public sphere ((Akmal Maulana M, 2021, t.t.), t.t.).

Researchers are interested in this topic because a basic understanding of fiscal policy ensures that the public can correctly understand and evaluate the decisions made by the government. Without this understanding, the public is vulnerable to misperceptions and doubts that undermine the legitimacy of the government. A new study shows that when governments provide fiscal information transparently to citizens and assess it based on metrics they are familiar with, such as debt and surplus, citizens' perceptions of the government's "fiscal stress" and their support for fiscal policy are greatly influenced by how familiar they are with this information. In addition, research conducted in 36 member countries The OECD found that efficient public spending management is significantly related to increased "trust in government" and fiscal literacy, which is a technical understanding and basic trust in the government. Therefore, this research is very important to determine how improving fiscal literacy can increase government legitimacy and accountability (Afonso dkk., 2024).

To address this issue, the 2021–2025 Indonesian National Financial Literacy Strategy (SNLKI), which emphasizes public understanding of budgetary objectives and policy trade-offs, will be revised to improve fiscal policy literacy through the strengthening of fiscal literacy programs and the development of an accessible and visualized APBN/APBD dashboard to increase budget transparency. Furthermore, this study emphasizes the importance of combining education and accountability through public participation in forums such as development planning meetings and participatory audits to strengthen the relationship between understanding fiscal policy and public trust. By empirically testing the relationship between understanding of fiscal policy and public trust, this research methodology not only enriches the academic literature but also provides recommendations (Yuniar & Firmansyah, 2023).

2. RESEARCH METHOD

This study uses a quantitative method to collect data. The researchers asked questions in the form of statements for this study (Sari dkk., 2022). In this study, fiscal policy literacy is the independent variable, while public trust is the dependent variable that is influenced. Fiscal policy plays a very strategic role in driving economic growth and maintaining the country's financial stability. Its influence covers various aspects ranging from household consumption, private investment, regional inequality, inflation, to social welfare. The effectiveness of fiscal policy is highly dependent on the accuracy of the targets, the amount of stimulus, the timing of implementation, and the monitoring mechanism. Therefore, in formulating fiscal policy, the government must consider comprehensive data and analysis and involve various parties, including academics, business actors, and civil society (Bahtiar dkk., 2025). Public understanding of fiscal policy is not only passive knowledge, but also a basis for assessing the government's performance in managing state finances. A good level of fiscal policy literacy enables the public to critically interpret fiscal information, such as state budget reports, budget realization, deficits, financing, and government spending priorities. When the public understands the basis of policies and the objectives behind fiscal decisions, they tend to have a more objective perception of the government's performance. To collect data, a questionnaire was distributed, containing several questions that were necessary and planned for the purposes of the study (Diaz & Fitria, 2022).

The analysis used was simple linear regression to determine the extent of the influence of fiscal policy literacy on the level of public trust. Simple linear regression was chosen because it only involved one independent variable tested against one dependent variable. This study focuses on how the public's understanding of fiscal policy can shape and increase their trust in the government. The research data was obtained by distributing questionnaires to 35 respondents selected as the research sample. The results of this study have important implications for the government and institutions engaged in public education. Findings regarding the influence of fiscal policy literacy on public trust levels show that public understanding of state financial management plays a significant role in shaping their perceptions of government performance. Thus, the government needs to increase transparency and expand educational programs related to fiscal policy so that the public better understands the objectives, processes, and impacts of such policies. In addition, this research can also serve as a basis for educational institutions, mass media, and community organizations in designing more effective fiscal literacy materials or campaigns. From an academic perspective, the results of this study open up opportunities for further research with a larger sample size or using more complex analytical methods to deepen understanding of other factors that influence public trust. Thus, this study not only provides an initial overview of the relationship between variables but also contributes to efforts to improve the quality of policy communication between the government and the public

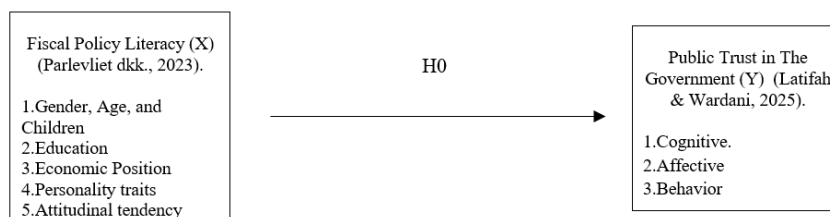


Figure 1. Conceptual framework

3. RESULTS AND DISCUSSION

3.1 Results

Table 1. Descriptive Statistics of Fiscal Policy (X)

Indicator	N	Mean	Std.Deviation	
Number of Children	35	2.76	606	Highest
X.1.3				
Age	35	2.00	739	Lowest
X.1.2				
N valid (Based on the list)	35			

Fiscal policy, also known as “fiscal politics” or “fiscal policy,” usually refers to actions taken by the government in the area of state budget spending with the intention of influencing the course of the economy (Edi Irawan, 2023). The use of the state budget, including expenditures and revenues, is to regulate the economy, support economic growth, and reduce social inequality. Therefore, fiscal policy is very important for improving social welfare, especially for vulnerable or underprivileged groups (Huda dkk., 2024b). One of the most important instruments in managing a country's economy is fiscal policy. In Indonesia, this policy is very important for achieving various economic objectives, such as economic equality, price stability, and sustainable growth (Rihani, 2025). According to Table 1, regarding Descriptive Statistics of Fiscal Policy (X), the number of children indicator (X1.3) has the highest mean of 2.76, indicating that the number of children is the most influential factor in respondents' assessment of fiscal policy. Conversely, the age indicator (X1.2) has the lowest mean of 2.00, meaning that age contributes the least to the fiscal policy variable. Thus, it can be concluded that the number of children is the indicator with the highest assessment, while age is the indicator with the lowest assessment from respondents. This pattern suggests that respondents tend to evaluate fiscal policy more strongly based on household responsibilities, particularly those related to child-related needs, rather than demographic characteristics such as age. The prominence of the number of children indicator also indicates that respondents may perceive fiscal policy as more relevant when it directly affects family welfare, financial obligations, and household expenditures.

Table 2. Descriptive Statistics of Public Trust in the Government (Y)

Indicator	N	Mean	Std.Deviation	
Perceptions of transparency and accounta Y.2.2	35	2.65	1.041	Highest
Response to government invitation Y.2.7	35	2.09	712	Lowest
N valid(Based on data)	35			

Public trust in government policies is a major issue. The abundance of information available online, including hoaxes and disinformation, can hinder public understanding of government policies (Rosyalita, t.t.). The success of a government is greatly influenced by public trust in it, especially in decentralized countries such as Indonesia (Hamzah dkk., 2024a). Because public trust in government institutions depends heavily on how they interact with the public, good public relations management can improve public services and public trust in the government (Azhary dkk., 2024). According to Table 2, the indicator of perception of transparency and accountability (Y.2.2) has the highest mean of 2.65, indicating that this aspect has the greatest influence on public trust. Meanwhile, the indicator of response to government appeals (Y.2.7) has the lowest mean of 2.09, making it the aspect that has the least influence on public trust. This finding shows that public trust is more strongly shaped by how clearly and openly the government communicates its actions, decisions, and budget management rather than by citizens' willingness to respond to governmental directives. The low mean score of response to government appeals also suggests that compliance or behavioral response is not a primary determinant of trust, as people tend to place greater importance on institutional honesty, clarity, and responsibility when evaluating government credibility.

Table 3. Simultaneous test results (F)

		ANOVA ^a				
		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	64.913	1	64.913	6.192	.018 ^b
	Residual	335.469	32	10.483		
	Total	400.382	33			
a. Dependent Variable: Y						
b. Predictors (Constant), X						

According to Table 3, the calculated F value of 6.192 with a significance of 0.018, which is smaller than 0.05, indicates that the regression model used is significant, so that variable X simultaneously affects variable Y. The Sum of Squares Regression value of 64.913 indicates that the variation in variable Y that can be explained by variable X is quite large, while the Sum of Squares Residual of 335.469 shows that there is variation that cannot be explained by the model. Overall, these results confirm that the regression model used is suitable for explaining the relationship between the independent and dependent variables. These findings also demonstrate that although the model does not capture all sources of variation in the dependent variable, it still provides meaningful insight into how fiscal literacy contributes to changes in public trust. The significant F value further indicates that the model has adequate explanatory strength and can be used as a basis for further statistical interpretation.

Table 4. Partial test results (T)

Coefficients ^a					
Unstandardized Coefficients		Standardized Coefficients			
Model	B	Std. Error	Beta	t	Sig.
1 (Constant)	9.671	2.823		3.426	.002

X	.417	.168	.403	2.488	.018
a. Dependent Variable: Y					

According to Table 4, it can be seen that variable X has a regression coefficient value of 0.417 with a significance value of 0.018. This significance value is smaller than 0.050 ($0.018 < 0.050$), so it can be concluded that variable X has a significant partial effect on variable Y. The t-value of 2.488 also shows that the effect of variable X on Y is significant and does not occur by chance. Thus, these results show that changes in variable X contribute significantly to changes in variable Y. In addition, the constant value of 9.671 indicates that when variable X is zero, variable Y remains at that base level. Overall, this table confirms that variable X plays an important role in partially influencing variable Y, demonstrating the predictive power of the model in assessing the impact of fiscal literacy. The strength of the coefficient also reflects that even moderate increases in variable X can lead to noticeable improvements in variable Y, reinforcing the conclusion that the independent variable meaningfully shapes public trust outcomes.

Table 5. Results of the Coefficient of Determination test

Model	R	R Square	Model Summary	
			Adjusted R Square	Std. Error of the Estimate
1	.403 ^a	.162	.136	3.238
a. Predictors: (Constant), X				

According to Table 5 Model Summary, we can see that the R value of 0.403 indicates that there is a weak to moderate relationship between variable X and variable Y; the cubic R value of 0.162 indicates that variable X can only account for 16.2% of the variation in variable Y, while the remaining 83.8% is influenced by other factors not included in the model. In addition, the standard error of estimation value of 3.238 indicates that there is still a significant difference or prediction error in this model. These results show that although variable X contributes to explaining changes in variable Y, its ability to predict the dependent variable is still limited and requires the inclusion of additional predictors. The relatively large residual variation further suggests that factors such as socio-economic background, access to information, and individual perceptions may play a substantial role. Therefore, improving the model by incorporating more relevant variables could enhance its accuracy and provide a deeper understanding of the relationship between fiscal literacy and public trust.

3.2 Discussion

With a significance value of 0.018 and a coefficient of 0.417, the results show that fiscal policy literacy has a positive and significant impact on public trust in the government. These results support hypothesis H1 that public understanding of fiscal policy instruments and objectives increases their positive assessment of government performance. This hypothesis is in line with the idea that fiscal literacy helps the public assess policies rationally (Edi Irawan, 2023), particularly by encouraging people to understand why certain budget allocations are prioritized and how fiscal interventions influence macroeconomic stability. In addition, fiscal literacy strengthens the ability of citizens to differentiate between populist narratives and objective policy measures, which ultimately reduces misinformation and increases trust in government decisions..

These results are consistent with the findings of the (OECD, 2024), t.t.), which states that fiscal transparency and access to budget information increase public trust. This study also shows that transparency and accountability indicators are key factors in determining public trust. The government uses fiscal policy to influence the economy by adjusting the level of income and spending (Dyah Cahyasari, 2019, t.t.). These results are in line with (Afonso dkk., 2024), who state that when the public understands the basis of the government's fiscal policies, public trust in the government can increase significantly because they perceive fiscal interventions as part of a coherent strategy rather than arbitrary actions. This shows that fiscal literacy plays a dual role: it enhances understanding and reduces skepticism, while also strengthening social support for long-term fiscal planning..

The results of this study support the conclusion of (Yuniar & Firmansyah, 2023), which states that fiscal literacy contributes to positive perceptions of government transparency. However, with an R Square value of 0.162, it appears that although fiscal literacy is very important, most of the differences in public trust are influenced by other variables, such as the quality of public services and government communication (Hamzah dkk., 2024b). This means that fiscal literacy alone cannot fully determine public trust levels, and additional factors must be considered to understand the broader dynamics. Public trust also depends on daily experiences, perceptions of fairness, and the degree of responsiveness shown by government institutions. Therefore, policymakers must pay attention not only to increasing fiscal transparency but also to improving communication strategies, reducing bureaucratic barriers, and ensuring that public programs reach their intended beneficiaries. These additional components reinforce the complexity of factors influencing trust beyond fiscal knowledge alone.

This study reinforces previous research stating that understanding fiscal policy is an important component in building public trust and that people who understand fiscal policy tend to trust the government more because they appreciate transparency, accountability, and effective budget management. Fiscal literacy enables individuals to interpret government reports, identify fiscal priorities, and evaluate whether budget allocations align with national needs. It also shapes democratic participation, as informed citizens are more likely to support policy reforms and engage in discussions

with a better grasp of the issues. Fiscal literacy helps reduce misunderstanding regarding government spending, thereby strengthening overall governance credibility. These results highlight the need for governments to expand public education initiatives, improve dissemination of fiscal data, and ensure that budget information is delivered in accessible formats. Through these efforts, governments can build a more informed society capable of evaluating policies objectively, ultimately strengthening institutional legitimacy. The findings also emphasize the importance of collaboration between the government, educational institutions, and the media in expanding fiscal literacy across society. Educational institutions can incorporate fiscal literacy into curricula, while the media can simplify complex fiscal information in a lebih komprehensif dan inklusif manner. These steps can reduce knowledge gaps and increase equality in access to information. Strong fiscal literacy also supports a more critical yet constructive social environment, enabling citizens to provide data-based feedback on policies. Thus, improving fiscal literacy functions not only to build trust but also to promote participatory and accountability-oriented democratic governance.

4. CONCLUSION

With a significance value of 0.018 and a regression coefficient of 0.417, this study shows that knowledge of fiscal policy has a positive and significant effect on public trust in the government. The more people understand the instruments, mechanisms, and objectives of fiscal policy, the more they trust the government. These results reinforce previous theories and studies that budget transparency, fiscal knowledge, and government accountability are important components in building public trust. Apart from that, other influential factors not examined in this study include the quality of public services, government communication, political conditions, and people's direct experience with government programs; the R Square value of 0.162 shows that fiscal literacy explains only a small portion of the variation in public trust. This study cannot be generalized broadly due to the relatively small number of respondents (35 people) and its coverage of only one city. Consequently, to provide a more in-depth picture of the relationship between fiscal literacy and public trust in the government, further research should expand the sample, broaden the research area, and include other factors that may influence public trust using more comprehensive quantitative indicators to strengthen the accuracy of the findings in future analyses and broader datasets.

ACKNOWLEDGMENTS

I would like to express my gratitude to all those who contributed to this research. Thank you to Tadulako University, Mr. Abdul Rivai, Mrs. Intam Kurnia, Mr. Erdiyansyah, and the respondents from my family, friends, and all those who supported this research. Thank you for your assistance, support, and time.

REFERENSI

- Afonso, A., Jalles, J. T., & Venâncio, A. (2024). A Tale Of Government Spending Efficiency And Trust In The State. *Public Choice*, 200(1–2), 89–118. <https://doi.org/10.1007/S11127-024-01144-6>
- (Akmal Maulana M, 2021, T.T.). (T.T.). *Komunitas Penulisan Hukum Fh Umy – Komunitas Penulisan Hukum* <https://share.google/Vkyd0ca2srffubbn4>.
- Azhary, A., Trisnawati, A. D., Palakyah, I. Y., Apriani, R., & Cahyani, A. R. (2024). Pengaruh Publik Relation Terhadap Kepercayaan Publik Dalam Sektor Pelayanan Publik. *Jurnal Penelitian Multidisiplin Bangsa*, 1(6), 521–526. <https://doi.org/10.59837/Jpnmb.V1i6.99>
- Bahtiar, A. A., Pandini, M. C., Tsalitsa, S., & Meidiyustiani, R. (2025). *Pengaruh Kebijakan Fiskal Terhadap Pertumbuhan Ekonomi Keuangan Di Indonesia*. 20(2).
- Bonaraja Purna, 2024. (T.T.). *Fullbook-Ekonomi-Publik-Teori-Dan-Penerapan-Kebijakan-Fiskal.Pdf* <https://share.google/Dlrq4tmy4bpw1oodj>.
- Diaz, M. B., & Fitria, A. (2022). *Pengaruh Modernisasi Sistem Administrasi Perpajakan, Kecerdasan Spiritual Terhadap Ketepatan Pembayaran Wajib*. 11.
- Dr. Aswin Rivai, 2025. (T.T.). *Kebijakan Fiskal Dan Kesenjangan Gender—Antara News* <https://share.google/Ef2q0uxkpppi8o4db>.
- Dyah Cahyasari, 2019. (T.T.). *Modul Kebijakan Fiskal Chapter 1 (1) (1).Pdf* <https://share.google/Rvlvbxwrimbsxgud>.
- Edi Irawan. (2023). Peran Kebijakan Fiskal Dalam Perekonomian: Suatu Kajian Literatur. *Jurnal Riset Rumpun Ilmu Ekonomi*, 2(2), 01–08. <https://doi.org/10.55606/Jurrie.V2i2.1898>
- Hamzah, M., Surahman, F., Abdurahman, A., Saputri, E., & Basyarahil, A. (2024a). Transparansi Anggaran Publik Sebagai Kunci Peningkatan Kepercayaan Masyarakat Terhadap Pemerintah Daerah. *Assyarikah: Journal Of Islamic Economic Business*, 5(2), 199. <https://doi.org/10.28944/Assyarikah.V5i2.1891>
- Huda, R. A., Puspita, R. A., Hasanah, S. N., & Malik, A. (2024b). *Peran Kebijakan Fiskal Dalam Meningkatkan Kesejahteraan Sosial Di Indonesia Sebagai Negara Berkembang*. 7(2).
- Latifah, I., & Wardani, S. A. (2025). *Peran Etika Dalam Membangun Kepercayaan Publik Terhadap Pemerintah*. 02(03).
- (Oecd, 2024). (T.T.). *Oecd Survey On Drivers Of Trust In Public Institutions – 2024 Results: Building Trust In A Complex Policy Environment*. Oecd Publishing. <https://doi.org/10.1787/9a20554b-en>.
- Parlevliet, J., Giuliadori, M., & Rooduijn, M. (2023). Populist Attitudes, Fiscal Illusion And Fiscal Preferences: Evidence From Dutch Households. *Public Choice*, 197(1–2), 201–225. <https://doi.org/10.1007/S11127-023-01101-9>
- Rihani, N. A. (2025). *Kebijakan Fiskal Di Indonesia: Dampak Dan Tantangan Dalam Mewujudkan Pertumbuhan Ekonomi Berkelanjutan*.

- Rivai, A., Nasrullah, N., Hasanuddin, H., Chrisstin, V., Fitriana, F., & Haryono, D. (2024). Institutional Capacity Development (Capacity Building) Of Village-Owned Business Enterprises In Tambayoli Village, Soyo Jaya Sub District, North Morowali District, Indonesia. *Qubahan Academic Journal*, 4(3), 364–372. <https://doi.org/10.48161/Qaj.V4n3a913>
- Rosyalita, D. (T.T.). *Peran Humas Dalam Membangun Kepercayaan Publik Terhadap Kebijakan Pemerintah*.
- Sari, E. P., Gunawan, Y., & Elvina, E. (2022). Pengaruh Kepercayaan Kepada Pemerintah, Kebijakan Insentif Dan Manfaat Pajak Terhadap Kepatuhan Wajib Pajak. *Jurnal Ilmiah Manajemen, Ekonomi, & Akuntansi (Mea)*, 6(3), 712–732. <https://doi.org/10.31955/Mea.V6i3.2269>
- Yuniar, M. R., & Firmansyah, A. (2023). The Transparency Level Of Local Governments In Indonesia: Does The Level Of Financial Health Matter? *Jurnal Tata Kelola Dan Akuntabilitas Keuangan Negara*, 123–150. <https://doi.org/10.28986/Jtaken.V9i1.1195>
- Fullbook-Ekonomi-Publik-Teori-Dan-Penerapan-Kebijakan-Fiskal.Pdf <https://share.google/Dlrq4tmy4bpw1oodj>
- Modul Kebijakan Fiskal Chapter 1 (1) (1).Pdf <https://share.google/Rvluvbxwrimsxgud>